Appendix 1

Wessex Economics
Economics Housing Regeneration

The Case for West Kent

Final Report – Executive Summary, Conclusions & Recommendations

Client:
West Kent Partnership
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Executive Summary

1. The West Kent Partnership needs to communicate the evidence that economic development is not a zero sum game in Kent and Medway. The success of West Kent is good for Kent and Medway as a whole. This is a message that the West Kent authorities and its partners, particularly business, need to convey to decision makers in Kent, notably KCC and the Kent and Medway Economic Partnership.

2. West Kent is clearly more prosperous and more buoyant economically than other parts of Kent and Medway, but it is also more constrained in some dimensions – for example, its ability to accommodate space-hungry businesses and in its capacity to accommodate new homes. Along with North Kent, West Kent has the best prospects for securing output and employment growth over the next 20 years.

3. It is important to Kent and Medway as a whole that West Kent remains successful and capitalises fully on its strengths. It has a stronger relative representation of higher value, knowledge based businesses than other parts of Kent and Medway, and has a capacity to attract inward investment from other parts of the Greater South East in such sectors. All of Kent and Medway are likely to benefit from such inward investment through supply chain linkages and additional job creation.

4. West Kent has enjoyed strong job growth and is anticipated to continue to experience job growth. Already West Kent provides large numbers of jobs for those from outside West Kent and it is likely to provide more jobs in the future. Compared to other areas in Kent, West Kent provides relatively large numbers of high skill, better paid jobs. Retaining and boosting the number of people in Kent and Medway with high level skills is important to the long term growth of the Kent and Medway economy.

5. However, there is evidence from analysis by Locate in Kent that that West Kent is less favourably regarded as an inward investment location than Maidstone and Ashford. Locate in Kent staff have commented that a key factor in West Kent being less favourable regarded as an inward investment location is the relative lack of choice of good quality sites and premises for modern business operations compared to Maidstone and Ashford. This means that Kent is probably less able to compete with other locations in the eastern M25 corridor.

6. A successful and growing West Kent economy will contribute to economic development in Kent and Medway as a whole. It is important to nurture those features of the business environment that make West Kent an attractive place to do business. West Kent is primarily competing for business growth with other similar locations to the south, north and west of London, not with the rest of Kent and Medway.

7. At the same time market pressures will encourage employers who do not derive competitive advantage from being located in West Kent to consider relocation. The authorities responsible for economic development in the County – KCC and Locate in Kent – need to ensure that such businesses find a home elsewhere in Kent and Medway. Such relocation is good for West Kent and good for Kent and Medway as a whole.

8. The biggest threat to the success of West Kent is neglect or complacency about the future of West Kent. In a modern economy there is a need continually to look to improve the environment for business if an area is not to lose its competitive edge. Such a programme of continuous improvement has to be adequately resourced. That resource has both to come from within West Kent and to be supported at County level.

9. KCC's capital expenditure on regeneration on a per capita basis Maidstone receives more than twice the investment identified for West Kent; North Kent receiving almost three times as much investment as West Kent; and East Kent receiving 3¾ times as much investment as West Kent. The capital programme may well have been reshaped in the light of the outcome of LGF Round bids.

10. In terms of LGF Round 1 expenditure on transport schemes, North Kent and East Kent will receive more than double the level of per capita expenditure of West Kent, and Maidstone more than three times the per capita expenditure in West Kent. From an external perspective it is particularly the differential between West Kent and Maidstone that is most marked.

11. The analysis presented in this report would indicate that potentially West Kent has been disadvantaged in the allocation of KCC and LGF resources. However, care must be taken in automatically accepting these benchmarks as suggesting that West Kent is deliberately disadvantaged in the allocation of funding. The allocation of funding through the LGF process has been based on project outcomes and deliverability, without any weighting applied to where projects are based.

12. WKP needs to recognise that the most obvious possible reasons why West Kent has secured proportionately less funding through the LGF process than other parts of Kent and Medway was that it submitted proportionately fewer bids measured by value, and the bids submitted scored less well that competing bids from elsewhere in Kent and Medway. It is important that WKP learn lessons from the unsuccessful bids submitted.

13. One possible reason for lack of success in LGF bids could be that a key criterion in the appraisal of LGF bids is the certainty of match funding. To the extent that KCC gives different priorities to expenditure in different parts of Kent this could be a factor in skewing LGF resources in favour of those areas other than West Kent, because KCC is the key source of LGF match funding. District Councils have relatively limited capital resources for economic development.

14. However, the West Kent authorities also need to consider whether they are also doing everything they can to provide match funding for projects that they are putting forward for competitive bidding programmes such as the Local Growth Fund. This match funding may come from their own resources, but private sector match funding, or resources secured through Section 106 agreements or through the Community Infrastructure Levy can act as match funding.

15. Another possible reason for lack of success in LGF bids may be that the West Kent authorities have devoted fewer resources in terms of people and money than other authorities. This could have constrained the ability to undertake the preparatory work necessary to develop funding-ready projects, which impacted on the number and quality of bids. However, despite on-going financial challenges affecting all three Councils, there are now plans in place to strengthen staff resources for economic regeneration and therefore, West Kent Authorities should be better placed in the future to secure further funding from the LGF and other funding streams.

16. While this report has focused on the distribution of capital expenditure for economic development and transport, it is important to acknowledge that KCC incurs significant revenue expenditure on running Kent and Medway wide-projects. It has not been possible to analyse the relative spend under these programmes by Kent and Medway sub-region. West Kent is likely to benefit proportionately more than other sub-regions in Kent and

Medway from business support programmes because of relatively high representation of growth businesses and high levels of business start-up.

17. Discussion around what is an equitable distribution of resources between the different sub-regions of Kent and Medway is also complicated by other major infrastructure investments, not captured by the analysis of KCC and LGF Round 1 programmes. The planned expenditure of £70 million by the Highways Agency on the dualling of the Tonbridge–Pembury section of the A21 is not included in the analysis – but neither is the Highways Agency scheme for improvements to the A2 at the Bean and Ebbsfleet junction in North Kent.

18. Making the case for West Kent should be a part of the economic strategy for West Kent; but as important is having well-developed projects that fit the criteria that external funding bodies are looking for, and which can realistically use the funding available and deliver outputs in the timescale required.

19. A number of recommendations flow from the findings of this study, focusing on communicating clearly to decision-makers why growth in West Kent helps the Kent and Medway area as a whole, and actions to be taken by WKP itself to improve its success rate in bidding for external funding. These are summarised below:

- WKP should review the bids submitted in Round 1 of the LGF process, identify where they fell short in terms of the scoring matrix and see what lessons can be learnt for future bids. KCC should be asked to provide the scores given to the bids submitted.

- This report has set out why securing the on-going prosperity and growth of West Kent is good for Kent and Medway as a whole. This message needs to be refined into a format that can readily be communicated to the Kent and Medway Economic Development Board, KCC members, and KCC officers.

- WKP should galvanise the business community in West Kent to identify clearly what is good about being based in West Kent, to articulate clearly what needs to be improved, and the risk of failure to take appropriate action. WKP should help the 'Voice of West Kent' businesses to be heard.

- In helping WKP and the business community communicate how growth in West Kent works to the benefit of Kent and Medway as a whole, WKP should identify case studies on how West Kent businesses, including inward investors, deliver benefits to other parts of Kent and Medway.

- Given the likelihood of continuing central government reliance on competitive funding programmes, the three West Kent authorities should review and further develop its strategy (The West Kent Priorities for Growth report) for securing external funding. Wessex Economics recommend that this be undertaken on a collective basis rather than an individual authority basis.

- The core of a successful funding strategy is an adequately resourced programme which identifies priority projects to deliver local economic development goals, and uses a pipeline approach to project and programme development. This report identifies the key elements of such a process.

- Given the increasing need to work closely with the Kent and Medway Economic Partnership and SELEP in future years, it is suggested that a review of the role and structure of the West Kent Partnership be undertaken to ensure this is fully fit for future and is representative of local business needs.

20. The West Kent authorities also need to ensure that robust and up to date Local Plans in place to identify new employment sites suited to the future needs of the economy and business. The local authorities should also set out in their Local Plans and economic development strategies how they will promote the retention and re-use of key existing employment sites and redevelopment of older sites to accommodate new modern accommodation.

21. It is also important that robust and up to date Local Plans are in place. These should identify the scale of additional housing required to ensure the future supply of labour for local employers. This is not to deny the significant constraints that exist on new development in West Kent.

Conclusions and Recommendations

This section of the report brings together the conclusions of the analysis undertaken. In the light of these conclusions Wessex Economics make a number of recommendations. These should be regarded as the starting point of a discussion with WKP. Wessex Economics would be pleased to contribute to this debate and bring the firm's experience from elsewhere to bear.

Wessex Economics believe there is much that the members of WKP, particularly the three local authorities, can do to enhance their success in attracting external funding to West Kent. There is nothing in the scoring matrix for the allocation of LGF moneys that has a bias against West Kent; but there may be a presumption among different funding partners about the relative priority of expenditure in different parts of Kent.

Conclusions

West Kent Partnership needs to communicate the evidence that economic development is not a zero sum game in Kent and Medway. The success of West Kent is good for Kent and Medway as a whole. This is a message that the West Kent authorities and its partners, particularly business, need to convey to decision makers in Kent, notably KCC and the Kent and Medway Economic Partnership.

West Kent is clearly more prosperous and more buoyant economically than other parts of Kent but it is also more constrained in some dimensions – for example, its ability to accommodate space-hungry businesses and in its capacity to accommodate new homes. Along with North Kent, West Kent has the best prospects for securing output and employment growth over the next 20 years.

It is important to Kent and Medway as a whole that West Kent remains successful and capitalises fully on its strengths. It has a stronger relative representation of higher value, knowledge-based businesses than other parts of Kent and Medway, and has a capacity to attract inward investment from other parts of the Greater South East in such sectors. All of Kent and Medway are likely to benefit from such inward investment through supply chain linkages and additional job creation.

West Kent has enjoyed strong job growth and is anticipated to continue to experience job growth. Already, West Kent provides large numbers of jobs for those from outside West Kent and it is likely to provide more jobs in the future. Compared to other areas in Kent, West Kent provides relatively large numbers of high skill, better paid jobs. Retaining and boosting the number of people in Kent and Medway with high level skills is important to the long-term growth of the Kent and Medway economy.

At the same time, market pressures will encourage employers who do not derive a competitive advantage from being located in West Kent to consider relocation. The authorities responsible for economic development in the County – KCC and Locate in Kent – need to ensure that such businesses find a home elsewhere in Kent and Medway, probably in locations with lower property and labour costs, rather than move out of Kent. Such relocation is good for West Kent and good for Kent and Medway as a whole.

A successful and growing West Kent economy will therefore contribute to economic development in Kent and Medway as a whole. It is important to nurture those features of the business environment that make West

Kent an attractive place to do business. West Kent is primarily competing for business growth with other similar locations to the south, north and west of London, not with the rest of Kent and Medway.

The biggest threat to the success of West Kent is neglect or complacency about the future of West Kent. In a modern economy there is a need continually to look to improve the environment for business if an area is not to lose its competitive edge. Such a programme of continuous improvement has to be adequately resourced. That resource has to come both from within West Kent and to be supported at County level.

It is clear that in terms of both KCC capital expenditure and the distribution of planned funding under approved Local Growth Funding projects, West Kent will receive significantly less funding per capita, per household, per '000 jobs and per '000 anticipated job creation than the other sub-regions.

KCC's capital expenditure on regeneration on a per capita basis results in Maidstone receiving more than twice the investment identified for West Kent; North Kent receiving almost three times as much investment as West Kent; and East Kent receives 3¾ times as much investment as West Kent. The capital programme may well have been reshaped in the light of the outcome of LGF Round bids.

In terms of LGF Round 1 expenditure on transport schemes, North Kent and East Kent will receive more than double the level of per capita expenditure of West Kent, and Maidstone more than three times the per capita expenditure in West Kent and East Kent. From an external perspective it is particularly the differential between West Kent and Maidstone that is most marked.

It is likely to be deemed reasonable that the less economically advantaged sub-regions of Kent should receive proportionately more funding on any of these benchmarks than West Kent. The real issue is whether the scale of differential funding is appropriate. This is properly a matter for discussion between the West Kent authorities and KCC; and within business forums including the Kent and Medway Economic Partnership.

The analysis presented in this report would indicate that potentially West Kent has been disadvantaged in the allocation of KCC and LGF resources. However, care must be taken in automatically accepting these benchmarks as suggesting that West Kent is deliberately disadvantaged. The allocation of funding through the LGF process has been based on project outcomes and deliverability, without any weighting applied to where projects are based.

WKP needs to recognise that the most obvious possible reasons why West Kent has secured proportionately less funding through the LGF process than other parts of Kent and Medway was that it submitted proportionately fewer bids measured by value, and the bids submitted scored less well than competing bids from elsewhere in Kent and Medway. It is important that the WKP learns lessons from the unsuccessful bids submitted.

One possible reason for lack of success in bids could be that a key criterion in the appraisal of LGF bids is the certainty of match funding. To the extent that KCC give different priorities to expenditure in different parts of Kent, this could be a factor in skewing LGF resources in favour of those areas other than West Kent, because KCC is the key source of LGF match funding. District Councils have relatively limited capital resources for economic development.

However the West Kent authorities also need to consider whether they are also doing everything they can to provide match funding for projects that they are putting forward for competitive bidding programmes such as the Local Growth Fund. This match funding may come from their own resources, but private sector match funding, or resources secured through Section 106 agreements or through the Community Infrastructure Levy can act as match funding.

Another possible reason for lack of success in LGF bids may be that the West Kent authorities are devoting fewer resources in terms of people and money than other authorities. This will constrain the ability to undertake the preparatory work necessary to develop funding-ready projects, which will impact on the number and quality of bids. It may also result in bids where the level of local funding levered is less than many other competing bids.

It has not been part of this study to compare the resources that all the lower tier local authorities in Kent and Medway devote to economic development. Wessex Economics would note, however, that the level of staffing resource and available revenue and capital funding devoted to economic development by the three West Kent authorities appears to be modest. With economic development relying increasingly on external funding, there is a closer relationship between the resource authorities are willing to invest themselves and success in attracting external resource.

While this report has focused on the distribution of capital expenditure for economic development and transport, it is important to acknowledge that KCC incurs significant revenue expenditure on running Kent and Medway-wide-projects. It has not been possible to analyse the relative spend under these programmes by Kent and Medway sub-regions.

However, West Kent is likely to benefit proportionately more than other sub-regions in Kent and Medway from business support programmes that are delivered throughout Kent and Medway and are demand-led, because it has a proportionately larger and more dynamic business base that the other sub-regions of Kent and Medway. The rapid take up of business loans through the Escalate scheme is indicative that West Kent businesses are likely to be more ready to access business support services than in other parts of Kent.

It is also important to recognise that West Kent has been comparatively successful in securing HCA funding under the 2015-18 Affordable Housing Programme. This appears to be associated with two particularly large Extra-Care schemes in Tunbridge and Malling so the allocations may not be indicative of past or future HCA allocations. However, it serves as a reminder that the analysis does not indicate West Kent has lost out in every aspect of Government supported funding.

Discussion around what is an equitable distribution of resources between the different sub-regions of Kent and Medway is also complicated by other major infrastructure investments, not captured by the analysis of KCC and LGF Round 1 programmes. The planned expenditure of £70 million by the Highways Agency on the dualling of the Tonbridge–Pembury section of the A21 is not included in the analysis – but neither is the Highways Agency scheme for improvements to the A2 at the Bean and Ebbsfleet junction in North Kent.

Making the case for West Kent should be a part of the economic strategy for West Kent; but as important is having well-developed projects that fit the criteria that external funding bodies are looking for, and which can realistically use the funding available and deliver outputs in the timescale required. Often funding does not flow to the projects identified as those that are strategically the most important; rather it flows to those that are funding-ready in the sense that the funding provided can be spent and deliver the promised outputs in the required timescale.

Data from Locate in Kent shows that that West Kent is less favourable regarded as an inward investment location than Maidstone and Ashford. Locate in Kent staff have commented that a key factor in West Kent being less favourable regarded as an inward investment location is the relative lack of choice of good quality sites and premises for modern business operations compared to Maidstone and Ashford.

Thus, it is of great importance to the economic health of West Kent that the three local authorities in West Kent have robust and up to date local plans in place to identify new employment sites suited to the future needs of the economy and business, supplemented by policies which promote the retention and re-use of key existing employment sites, redevelopment of older sites to accommodate new modern accommodation along with a focus on promoting the use of redundant rural buildings for employment use.

Recommendations

A number of recommendations flow from the analysis and findings of this study, and particularly West Kent's relative lack of success in securing funding support in Round 1 of the LGF process; and the analysis that shows that West Kent secures, on a pro rata basis, very much less of KCC's capital spending than other parts of Kent and Medway.

1. WKP should review the bids submitted in Round 1 of the LGF process, identify where they fell short in terms of the scoring matrix and see what lessons can be learnt for future bids. KCC should be asked to provide the scores given to the bids submitted.

2. This report has set out why securing the on-going prosperity and growth of West Kent is good for Kent and Medway as a whole. This message needs to be refined into a format that can readily be communicated to KCC members and to the Kent and Medway Economic Development Board.

3. WKP should seek to galvanise the business community in West Kent to identify clearly what is good about being based in West Kent, but also to articulate clearly what needs to be improved, and the risk of failure to take appropriate action.

4. In helping WKP and the business community communicate how growth in West Kent works to the benefit of Kent and Medway as a whole, WKP should identify case studies on how West Kent businesses, including inward investors, deliver benefits to other part of Kent and Medway.

5. Given the likelihood of continuing central government reliance on competitive funding programmes, the three West Kent authorities should develop a strategy for securing external funding. Ideally, this would be undertaken on a collective basis rather than an individual basis.

6. Wessex Economics' would regard the core of a successful funding strategy to be an adequately resourced programme which identifies priority projects to deliver local economic development goals, and uses a pipeline approach to project and programme development. The steps to developing such a process are set out below.

7. The West Kent authorities need to ensure that robust and up to date Local Plans in place to identify new employment sites suited to the future needs of the economy and business, supplemented by policies which promote the retention and re-use of key existing employment sites and redevelopment of older sites to accommodate new modern accommodation.

8. In a similar fashion it is of considerable importance that robust and up to date Local Plans are in place that identify the need for housing to ensure the future supply of labour for local employers. This is not to deny the significant constraints that exist on new development in West Kent.