

KENT COUNTY COUNCIL

SELECT COMMITTEE - KENT'S EUROPEAN RELATIONS

MINUTES of a meeting of the Select Committee - Kent's European Relations held in the Darent Room, Sessions House, County Hall, Maidstone on Wednesday, 8 January 2014.

PRESENT: Mr A J King, MBE (Chairman), Mr A H T Bowles, Mr D S Daley, Mr G Lymer, Mr R A Marsh, Mrs P A V Stockell and Mr R Truelove

IN ATTENDANCE: Mrs S Frampton (Research Officer), Mr R Moys (Head of International Affairs), Mrs C Wade (Democratic Services Officer), Mrs A Taylor (Scrutiny Officer) and Ms D Fitch (Democratic Services Manager (Council))

UNRESTRICTED ITEMS

9. 9.00am - Carolyn McKenzie - Sustainability and Climate Change Manager (KCC) *(Item 2)*

(1) The Chairman welcomed Carolyn McKenzie to the meeting and invited her to briefly explain her role and answer questions from Members.

(2) Carolyn explained her role as Sustainability and Climate change manager at KCC and her role in developing European projects since 1998. She gave an overview of the role under the headings of:- Whistle stop tour: SWOT Recommendations: and pragmatism, learnt from experience.

(3) In summary she stated that there were 7 live EU projects worth over £2.3m+ cash, three with a focus on business, three with a focus on resource and one with a focus on commercial resilience and severe weather events, Carolyn stated that she was the lead on 3 or 4 and partners on others, She emphasised that it was important to choose projects carefully.

(4) Carolyn stated that projects must hit core priorities, as money was needed in order to deliver the County Council's priorities. Approx. 60% of her budget in 2013 was European funding-2013 (including energy management) this was approx. £1.2m. She confirmed that all projects directly delivered to the priorities in Bold Steps and Kent Environment Strategy. European Funding provided support to Districts where there is no resource at all.

(5) Carolyn explained the allocation/split of funding and with regard to energy efficiency the need to support District colleagues. She had no involvement with any natural environment projects, but assisted with information if requested. Funding going forward was much stronger than it had ever been, all work would not be possible without European funding.

(6) In the previous 3 years 1000+ businesses had been assisted, KCC had worked intensively with 500+ identifying some £4m potential savings in those businesses.

(7) Carolyn stated that the key driver was the significant amounts of money v no money. Core priorities were similar to Bold Steps. With European funding you needed to be "in it to win it".

(8) Carolyn explained that funding was flexible, could be used to assist areas of market failure and move on, or test and trial approach. Access to best practice was key- partnership working in UK and Europe, joint collaboration and problem solving in order to obtain a certain level of consistency. She stated that 3-7 years funding coming on stream.

(9) Carolyn identified the following challenges in attracting funding:

(i) The challenge was in securing all/any types of funding i.e. Government or European. Bids were very competitive, and subject to strict rules and regulations. Bids needed to be slick. There was no funding for development time and the majority of programmes made no provision for overheads. Finance/admin/audit were usually included and the majority covered the real costs except for overheads. E.g. International Energy Europe allows 60% staff time i.e. £100 staff time=£60 claim.

(ii) Carolyn explained that there could be an issue with small partnerships irregular payments, but this was not applicable to KCC. Funds could only be attracted with proven cross border working and wider partnership benefits.

(10) In relationship to the funding opportunities the focus was on energy efficiency, a Key strand being low carbon business and using European projects to attract other funding and maximise resources.

(11) Carolyn described the flip side, and stated the need to be very flexible. She focused on projects keeping to KCC priorities, avoiding unnecessary emphasis on Logo fixation and delayed pace. Kent strived to keep on par with its European partners as ineligible expenditure/match could result in funds being retracted.

Recommendations:

(12) Carolyn stated that she had gained experience from the past 3-5 years and knew to focus on the outcome intending to achieve the long term strategy and considered decisions rather than individual projects. It was important to ensure fit with the funding stream.

Question. What makes a successful bid?

(13) Carolyn stated that it was important to know what you wanted from the bid. She gave the example of support Districts to provide feasibility study. Here test would I normally do it or not?

Question- How much rigor is used to access Bid?

(14) Carolyn that it was vital to work in unison with the lead partner and to submit the Bid together, buzz words were common and it was necessary to draw up a list of key words to be included.

(15) Carolyn explained that most bids were summarised on the first page and therefore you must sell the bid on the 1st page. It was important not to skimp on project management, to keep a dialogue going with Secretariat/Auditor and to adjust to ensure that the bid was within the range of the funding.

Question - How does Carolyn and staff fit in with other KCC involvement in Europe?

(16) Carolyn confirmed that there was not much duplication/overlap

Question – How many staff are involved?

(17) Carolyn confirmed that she had 5 Core funded staff but a project might involve 13 or 14 Graduates

Question: Is your role proactive or reactive?

(18) Carolyn stated that her role was proactive, to ensure that projects were inline with Kent Environment Strategy in both the private and public sector.

Question: You need partners both side of the Channel, how do you find businesses?

(19) Carolyn stated that she worked closely with Erica Russell (Visit Kent) etc. and try and ensure that there was no overlap. The aim was to maximise funding and not to duplicate. This was an ongoing challenge and Carolyn gave the example of ERDF £1m grants similar to DCLG approved by Berkshire ??-

Question - Electricity-NEMO. exchange of electricity between Belgium and Kent, cheaper than through pylons, is Carolyn involved in Bid to move this underground?

(20) Carolyn explained that the local authorities plan was to look at renewables across the board, there were limitations in terms of physical funds.

Question - Carbon savings- are there any funds to allow utilities to be better placed in new builds?

(21) Carolyn explained that in accordance with best practice in design for new builds this was incorporated in front end design.

Question – Your reporting lines are not as clear as other departments, how do you match work to Kent priorities?

(22) Carolyn stated that the Kent Environment strategy and the priorities in Bold Steps, over 10-12 years strategy developed in partnerships with all Kent districts

(signed up in 2010). Leaders if District Councils now work through Chief Executive-peer Group Chaired by Andrew Bowles.. All projects must adhere to the Business Plan and staff are funded to work on project priorities and we stick to partners we are sure of eg Nord pas Calais.

(23) Carolyn confirmed that she was aware of European Team's bids and the importance of maximisation of funds without duplication was essential.

Question – Do you make use of websites and logos?

(24) Carolyn stated she was aware of website development costs and used KCC website and links. The priority was to achieve a good outcome, rather than focus on logos and elaborate design.

Question – You have previously been a witness at the Renewable Energy Select Committee, I have no idea of outcomes, would you feed feedback?

(25) Carolyn explained that a consultant had been employed with European funding to look at the community based element.

Question – In relation to the recent flooding at Yalding there appears to have been no change since the previous flooding, was spending on flood defences/barriers etc?

(26) Carolyn confirmed that a lot of money had been spent in the past but that-Flooding defence was the responsibility of Environment Agency in collaboration with Emergency Planning and the Common Resilience Plan.

Question – If a bid was refused was it revisited?

(27) Carolyn explained that rejected bids were referred back to the Secretariat, they could be adjusted and agreed if within the project concept and the wider brief, the key was to take care in selection. There had been few failures to date.

Question – Are you aware of any company going bankrupt as result of European funds drying up?

(28) Carolyn stated that she was not aware of this happening to any companies.

(29) The Chairman thanked Carolyn for her comprehensive presentation and question and answer session.

10. 10.00am - Huw Jarvis, Kent Downs and Marshes Leader Programme Manager and Keith Harrison, Chief Executive, ACRK

(Item 3)

Huw Jarvis

(1) The Chairman welcomed Huw Jarvis and Nick Harrison to the meeting and invited them to give their presentations and answer questions from Member.

(NB Please to be read in conjunction with the presentation slides)

(2) Huw gave a brief overview of the Leader approach delivered under the Rural Development Programme for England (RDPE). The original 2007-2014 set up had been extended to 2020 and work commenced on a new 7 year programme. It was not known how much new money was available. The Local Action Groups (LAG's) vetted interested bodies, and matched them to particular themes of the LAG's development priorities. The KD&M LAG was made up of representatives from across the KD&M Leader area and final decisions were made by the LAG Executive (4 public sector and 5 private sector organisations representing the interests of the whole rural community) followed by Defra approval (formally SEEDA). KCC was the Accountable Body.

(3) Huw showed a map giving details of the Leader areas in England, the North having a higher concentration, with devolved power to Scotland and the Welsh Assembly. There were some gaps, but Leaders are Rural grants, not Urban. East Kent had had an unsuccessful bid in 2007 and there was therefore no Leader activity in the area.

(4) Huw explained that there were three LAG Objectives;-

- a) Rural Economy-develop a pioneering and sustainable rural economy
- b) Rural Communities-foster vibrant rural communities
- c) Rural Environment-value

£1.8m total spend on projects had been reduced to £1.3m and the 6 Kent wide partners in West Kent had used its allocation on 54 projects.

(5) Huw advised that there was a £50k limit, but an average spend was £24k per allocation. There was freedom for exceptional projects to expand. Match funding of between 40 -100% would be considered. 100% being very rare. The Vision was to help secure a sustainable future for the rural communities and businesses of KD&M area by promoting entrepreneurialism and diversification.

(6) Huw explained that each Leader funded application needed to fit into the priority areas adding value to local products; fostering sustainable rural tourism and assist rural communities and business manage change. If the proposal meet the ingredients for a good Leader project it is fitted into one of the measures determining a particular theme covering the LAG's priorities by applying the test :-is it innovative? value for money? sustainable when fund finished? All key to success.

Testimonials.

(7) Huw explained that Leader worked hand in glove to provide advice and steer through the heavy bureaucracy involved in projects. It created intelligence networks and signposted towards other sources of funding.

How Leader works.

(8) Huw stated that Leader funded grants of up to maximum of £50k. All require a degree of match funding. The Leader programme could only refund expenditure. A claim could be reimbursed in one month or less, but it was essential to have Planning permission in place (LAG had a Planning expert on their staff) and to that prove funding was needed. Some very good projects had not been not successful, which

would always be the case when a number of projects were in competition for a small amount of funds. Regarding Leader in Kent – it had created 47 Jobs

(9) Huw showed a map of the spread of projects, highlighting the strengths and weaknesses, emphasising the need to work closely with Local Authority partners.

Question - Who much European Funding does Leader deliver?

(10) Huw stated that the Leader approach delivered a minimum of 5% EU funds within the RDPE. A minimum of £105m across the country.

Keith Harrison

(11) Keith Harrison (KH) Chief Executive of Action with Communities in Rural Kent (ACRK) and Chair of KD&M Local action Group presented a flavour of the organisation.

(12) Keith alluded to the role of ACRK in Europe, the benefits, challenges, risks (the need for control) and opportunities (community led local development (including Leader) and the chance to work anywhere. He mentioned the following :-.

- European Social Fund (ESF) - distributor of Community Grants 2008-15 (12% of funds financed from KCC) aimed at getting people into training or work.
- Progress- partnership with 3 other countries. 10 organisations funded a combination of NEETS and Graduates to enable young people's careers in NGO sector, and share transferable experiences.
- Foreign partner families had been placed in Kent, including those from the second largest bid in Stockholm.

(13) Keith stated that the benefits from an ACRK perspective £28m between 2008-13, approx. 11% of their income over 5 years.

(14) Keith stated that there was a need to prove how communities actually benefited eg Thanet - older persons health care. Trained LG officers were an example of sharing Kent based expertise elsewhere in Europe and building a positive reputation.

(15) Keith highlighted some of the challenges eg Surrey CC bank-rolling work for Kent, managing £2.2m loan. Also regarding mainstreaming there was a need to make money coming into the County count and use innovation make a difference. There was a lack of adequate rural-proofing a need for a strategy to evolve.

(16) In relations to the risks and opportunities Keith stated that it was necessary to take calculated risk to achieve progress. It was important to take the opportunity of joint partnerships working together and put funds at a local level to benefit good innovative ideas. eg trial use of village halls as business hubs.

Question - If a building is converted for tourism are funds reimbursed from profit?

(17) Keith explained as this was a grant funds were not reimbursed from profit. There were other options/ Growth Fund loans within Kent, a grant may not be best use of the money, or it could be used to underpin a commercial loan or dovetailed in. He stated that attracting funding was not a competition, the focus must be on complimentary working, which needed to be high on the Defra agenda.

Question - If for example a farmer applied for a grant to convert a building into holiday homes and this constituted a capital improvement-was this reciprocal?

(18) Keith stated that the key was to consider the wider benefit, eg shops, local amenities etc how does this fit into Growth fund.

Question - how has rural Kent benefitted from European Funding?

(19) Keith replied that there were benefits from people networking and shearing local intelligence which was very worthwhile.

Question – I am concerned all Leader money has been used - what is the new allocation?

(20) Keith stated that this was not known yet.

Question - What would the impact be of the UK leaving the European Union 2017 ?

(21) Keith replied that the vote on this matter was due in 2017. The UK funding (Leader??) programme ran until 2020, there would be a need for debate to establish a good exit strategy.

Question - Leader projects together produce 130 jobs, supporting very good projects in the rural economy can you comment on this?

(22) Keith stated that Leader was a development programme. These 130 jobs were important for diverse areas, where jobs may not be readily available and do benefit the wider rural community.

(22) Keith confirmed that without European funding the programme would close down. 581 people benefit directly or indirectly from the small projects serving business purposes and building networks. European funding was essential for this.

Question - What is the time line for eg cheese makers (example in papers), if they have secured match funding, how quickly is likely success through the Leader programme?

(23) Keith explained that this would depend on the quality of the application, the specific example of the cheese makers was very quick. On average Local groups met approximately 6 weekly and consider 3-4 applications on a conveyor belt system.

Question – there have been previous delays in payment of invoices, which effects cash flow-what is current time scale?

(24) Keith stated that claims were checked and sent to RPA with a turn round target of 3 weeks, longest take 6 weeks.

Question - What is your view on a bottom up verses top down approach ?

(25) Keith explained that the aim was to dovetail issues, tie into strategic plans and make best use of networking. The KCC Planning officer provided informal advice, organisations all working together, local intelligence promoted close working with LA partners which was so valuable in providing wider benefits for the whole rural community and projects.

(26) The Chairman thanked Huw and Keith for attending the meeting and assisting the Select Committee with their work.

11.00am - Paul Wookey – Locate in Kent

(Item 4)

(1) The Chairman welcomed Mr Wookey to the meeting and invited him to outline the role of Locate in Kent (LiK) and to answer questions from Members.

(2) LiK had existed since 1996 to attract investment from overseas into Kent. Kent is promoted on the basis of its proximity to both London and the continent, and its cost effectiveness. There are major brands in the County and a diverse sector base. LiK was currently involved in the 2 Seas Trade programme which was an EU funded project which aimed to help business trade in a nearby European region. There were major advantages to Kent from overseas companies and major brands investing in Kent were then useful for attracting other companies in. Kent County was in a good position with good language skills.

(3) LiK focussed on the global market place, not only Europe, and currently had agents, funded by KCC's regeneration fund, in France, Germany and the US.

(4) E-alerts were frequently sent out to UKTI offices containing any news relevant to Kent, managing relationships with overseas companies was a vitally important factor. Companies from overseas make higher levels of capital investment, and higher employers. They also tend to re-invest on a regular basis, creating good high value jobs.

(5) The main investment drivers for business locating in Kent were access to clients and access to markets; cost was not such a significant factor.

(6) Influence and culture were important factors; the high speed rail gave Kent leverage when London was generally attractive to overseas companies.

(7) Between 1997 and 2004 an Interreg programme ran with Northern France attracting £250,000, however the Japanese economy suffered a downturn at around that time which caused difficulties with the programme. Kent was often competing with Northern France.

(8) LiK had just been part of a collaborative piece of work with Holland and Belgium where willingness was shown to access European markets; this was a joint venture with cross benefits.

(9) For LiK to work without the support of KCC would be extremely difficult.

(10) Mr Wookey confirmed that inward investment into Kent has the benefit of being linked with the European market. The prospect of a referendum was an issue for overseas investors. English was an international language which gave Kent an advantage and there was a feeling of trust and loyalty in the UK as a trade location. The costs of locating in Northern Europe were higher. The UK had reduced Corporation Tax, made Tax Credits available and the UK was attractive to invest in. This position was unlikely to change whether the UK was in the European Union or not. Assuming access to European funding continued that should be used to build on prospects. European funding was not a driver for companies to come to Kent.

(11) It was considered that access and culture were intangible elements which were unrelated to funding.

(12) One Member asked what would attract companies, such as manufacturing, into Kent rather than further north in the UK where costs were lower. Mr Wookey explained that companies were asked that their commercial drivers were for relocating/investing. However London was always an attractive location, and Kent was attractive as an alternative because of the transport links and the lower salary and premises costs. Kent was very well placed to attract science based companies which were led to Kent by skills and facilities; cost was not always the main driver.

(13) A Member queried whether French companies bring their own labour and rules with them to the UK. There were cultural issues but Mr Wookey confirmed that for example there was a successful French company based in Ashford which had predominantly British staff. Initially there may be some key personnel from the parent company/country but usually these were recruited locally.

(14) In response to a question about the Regional Growth Fund (RGF) and Marsh's millions Mr Wookey confirmed that the RGF was administered from within KCC and these financial initiatives are making a difference helping to get companies to the table and onto a level playing field with city regions such as Manchester. There was evidence that Kent was winning investment as a result of the RGF.

(15) One Member stated that the money received from the EU was vitally important and as much as possible should be obtained.

(16) It was felt that the use of Manston might increase with increasing importance given to links with Europe.

(17) Mr Wookey explained that once a company had invested in Kent close links were kept with the companies, monitoring jobs, skills, investment, forward strategy and forward investment. It often took 2-3 years for companies to decide to locate in Kent and in that time a good relationship had been built up.

(18) Inward investment into high value employment was vitally important, LiK did target high sectors and those that in future will hold a strong position for Kent. There was a meeting with UKTI later in January to sharpen and refine Kent's IT position.

(19) The Chairman thanked Mr Wookey for attending the meeting and helping the Committee with its work

12. 12.00 noon - Rob Lewtas - UK Trade and Investments (UKTI)

(Item 5)

(1) The Chairman welcomed Rob Lewtas to the meeting and invited him to give a presentation and answer questions from Members of the Committee.

(2) Rob gave a PowerPoint presentation which gave data on exports from Kent and explained the role and work of UKTI in supporting businesses. He explained that companies which UKTI worked with generally improved their production by a third in the first year alone. Companies that export were 11% more likely to stay in business than those that did not, and companies that exported showed an average £100k increase in income in the first 18 months.

(3) Rob explained that the two key roles of UKTI were investment and providing impartial advice and support. In relation to investment UKTI had 2,500 staff, most of which were located overseas in embassy and consulates. In the UK they had 400 advisors; UKTI advisors were located in Rye and Tunbridge Wells. Regarding impartial advice and strategic support, UKTI looked to identify and support business opportunities, it was a pick and mix option. UKTI worked with a network of partners including LEP (Local Enterprise Partnerships) and Chambers of Commerce.

(4) Rob stated that the export figures for Kent covered a whole range of companies, currently 8% of Kent Companies exported compared to the national average of 10%. If the 2% gap was closed, he estimated that this would involve 1,000 companies and would generate £114m to the Kent economy, which was a considerable contribution to the GDP of Kent.

(5) Rob pointed out that in relation to trading partners, Kent's trade with France, the Netherlands and Luxemburg was larger than its exports to the USA. European export markets were showing a decline and emphasis was being placed on emerging markets to pick up the deficit.

(6) In relation to UKTI's work in Kent now and in the past, Rob explained that three or four years ago there was a perception that UKTI's main area of work was in the west Thames Valley and in the M3 corridor where the demand for services came from. In the last two and a half years the demand had swung further east. Rob referred to two events that they held over the past 18 months in Thanet and Tunbridge Wells. In November 2013 they had held a large event in Maidstone. UKTI had deployed more personnel in Kent to service the growing demand.

(7) Rob referred to the close working relationship between UKTI and the County Council international affairs team particularly in three key areas, 1) market building, 2) incubation and 3) growth.

(8) Rob explained that the end of January was key to the LEP as they would need to submit their detailed proposals to the Government. The channel for the funding was yet to be determined but the funding envelope could be £200k a year. In relation to the role of the LEP's, the southeast LEP was looking to devolve a lot of

activity. The LEP was in good hands in Kent as the team supporting it were well established and worked well, which was not the case in some areas.

Question – The USA market appears to be growing quicker than the EU market what is the impact of this?

(9) Rob stated that the USA had always been a primary destination for UK exports, with the biggest export out of the UK being motor vehicles.

Question – Important to look at the opportunities of tomorrow and be aware of the culture differences of export markets, what work is UKTI doing to engage with those Kent business which do not currently take advantage of export opportunities?

(10) Rob explained that this was a particular issue in Kent, When UKTI worked with the usual network of partners such as local councils and Chambers of Commerce they engaged with the same organisations/businesses, the challenge was reaching businesses that were outside of these. One way that UKTI were trying to raise the awareness of businesses to the support available to reach international markets was by being proactive and phoning them, even if they say that they are not interested at least UKTI will have checked that the business is still around.

(11) Rob stated that UKTI's aim was to ensure good business support for good legitimate companies; they ran a diagnostic on the company before they got involved with it, in order to increase the likelihood of success of the business and them being able to enter the external market on a sustainable basis. UKTI cross referenced the company with the records at Companies House and HMRC. A key aim of UKTI was to ensure that the companies that they worked with make a contribution to the local and national economy through GVA growth and additional employment

Question – In order to help with finding partners for European Funding bids do other European counties have an agency doing similar work to UKTI?

(12) Rob explained that the most obvious route for finding partners is via the Enterprise Europe route. UKTI have a more commercial focus and tend to miss out the public sector and got straight into the commercial community. They had a direct channel based on the individual client route. Steve Samson would be able to answer questions on bipartite agreements.

Question – We need to look globally not just in north-west Europe, should Kent be focusing on markets such as parts of Africa where there is a common language with the UK?

(13) Rob agreed that the African market was important and that in the past 18 months there had been a shift in that direction. There had been particular growth in the African telecoms market and high value consumer goods and vehicles for UK companies. There is a high regard for UK companies in the African market which gives our companies an advantage over Chinese companies.

(14) The Chairman thanked Rob for attending the meeting and for helping the Select Committee with their work.