AGENDA

SELECT COMMITTEE - KENT'S EUROPEAN RELATIONS

Tuesday, 14th January, 2014, at 9.00 am	Ask for:	**Denise Fitch**
Wantsum Room, Sessions House, County Hall, Maidstone	Telephone	**01622 694269**

Tea/Coffee will be available 15 minutes before the start of the meeting in the meeting room

Membership

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, Mr R Truelove and Vacancy (UKIP x 2)

UNRESTRICTED ITEMS

(During these items the meeting is likely to be open to the public)

1 Declarations of Interests by Members in items on the Agenda for this meeting.

2 9.00 am - Ross Gill - Economic Strategy & Policy Manager (KCC) and David Godfrey - Interim Director of the South East Local Enterprise Partnership (SELEP). (Pages 3 - 62)

3 10.00 am - Steve Samson - Trade Development Manager (KCC) (Pages 63 - 86)

4 11.00am - Myriam Caron, European Partnership Manager (Pages 87 - 102)

5 12.00 noon - Tudor Price - Invicta Chamber of Commerce (Pages 103 - 140)

EXEMPT ITEMS

(At the time of preparing the agenda there were no exempt items. During any such items which may arise the meeting is likely NOT to be open to the public)

Peter Sass
Head of Democratic Services
(01622) 694002

Monday, 6 January 2014

Kent's European Relationship Select Committee – 14th January, 9.00 a.m.

Biographical Information:

Ross Gill

Ross Gill is the Economic Strategy and Policy Manager for Kent County Council. His work in this role includes bidding for funding, including from the Government's Regional Growth Fund and the European Regional Development Fund and establishing new economic projects and programmes. He is also responsible for developing KCC's economic strategy documents, including the Regeneration Framework and *Unlocking the Potential: Going for Growth*, the new Kent and Medway Growth Plan.

Previously, Ross has worked for Swale Borough Council, London Borough of Greenwich and Liverpool City Council in economic development, programme management and funding roles.

David Godfrey

David Godfrey is Interim Director of the South East Local Enterprise Partnership (SELEP). He is seconded for 3 days a week from Kent County Council's Economic and Spatial Development team where he is Development Strategy Manager.

Suggested themes for Members' Questions

1. Role of the South East Local Enterprise Partnership

   - Update on EU Structural & Investment Fund Strategy
   - Linkage to Growth Deal/Strategic Economic Plan

2. Kent & Medway's EU Structural & Investment Fund Strategy proposals:

   - Financial instruments to deliver programme activities – options, opportunities and risks
   - Regional Innovation Strategy and Smart Specialisation in Kent
   - Opt-in models – issues, opportunities and risks for Kent
   - Community Led Local Development (CLLD) in Kent
   - Options (and associated risks) regarding policy and technical expertise on EU funding for Kent

3. Contribution made by international projects to Kent's economic development (and for particular sectors) and potential role of EU funding in continuing to unlock Kent's potential.

HM Government

European Structural and Investment Funds Strategies

Opt-in Prospectuses

July 2013

Contents

Introduction

This document should be read in conjunction with "The development and delivery of European Structural and Investment Funds Strategies: Supplementary Guidance to Local Enterprise Partnerships". The supplementary guidance document contains detailed instructions on how Local Enterprise Partnerships (LEPs) should indicate in their ESI Funds Strategies whether they wish to "opt-in" to the service offers contained in this document.

1.1. The vast majority of total value of the 2014-2020 European Structural and Investment Funds Growth Programme for England (the "European Growth Programme") will be allocated to LEP areas.

1.2. The "opt-in model" has been developed to allow LEPs and their partners to join with national organisations/ programmes to deliver key priorities. By opting-in to a service offer from a national organisation/ programme, a LEP commits part of it ESI Funds allocation to the programme. In return, the LEP accesses match funding and administrative support.

1.3. This document contains the prospectuses of the organisations/ programmes that Government has agreed should make opt-in service offers to LEPs at this stage:

Organisation/ programme	**Primary thematic objective supported by service**
GrowthAccelerator	Enhancing the competitiveness of small and medium enterprises (SMEs)
The Manufacturing Advisory Service	
UK Trade and Investment	
European Investment Bank (social housing financial instrument)	Supporting the shift towards a low carbon economy in all sectors
The Big Lottery Fund	Promoting social inclusion and combating poverty
The Skills Funding Agency	Investing in education, skills and lifelong learning

1.4. Government has selected these organisations/ services because they are:

- national organisations/ services with significant budgets (and therefore significant sources of match-funding);
- responsible for programmes which are key to delivery of specific priorities under the thematic objectives; and
- likely to be relevant to all LEP areas.

1.5. In their prospectuses, the organisations/ programmes set out the basis on which they propose to work with Local Enterprise Partnerships, including:

- the nature of the service offered by the organisation;
- match funding arrangements;
- whether the organisation is seeking to "pool" participating LEPs' contributions to the service;
- whether LEPs need to sign up to the service as they deliver their ESI Funds Strategies and if that decision is binding; and

- how participating LEPs will influence and monitor delivery of the service.

1.6. As other key sources of national match emerge, Government may agree to other organisations / programmes making opt-in offers. Local Enterprise Partnerships are invited to notify Government (as part of or in advance of their initial European Structural and Investment Fund Strategies) whether there are any other national organisations/ programmes they feel should be making an opt-in offer to Local Enterprise Partnership areas.

1.7. The Department for Work and Pensions is currently examining the feasibility of providing match funding from its employment programmes and operating a procurement and contract management function to support LEP priorities. Although no detail is yet available about this offer, LEPs are invited to indicate initial interest in opting-in in their ESI Funds Strategies.

GrowthAccelerator

2.1. This prospectus is aligned with the SME Competitiveness Thematic Objective.

Background

- Businesses who seek external advice and information are more ambitious, with 41% expecting to increase turnover in the next year compared to 32% who didn't use advice.14% more ambitious and 50% more successful than those who don't[1].
- They are also more successful, with 33% of those that used external advice saying they have increased turnover in the last year compared to 26% of those that didn't use advice[2].
- Coaching is proven - 92% said it has a positive impact on the bottom line[3].

2.2. GrowthAccelerator is a unique service led by some of the country's most successful growth specialists, providing ambitious businesses with new connections, new routes to investment and the new ideas and strategy they need to achieve their full potential.

2.3. The current GrowthAccelerator service, which has no regional, sector or diversity targets, has a budget of around £190 million with which it is expected to support up to 26,000 SMEs and deliver £2.2 billion GVA and 55,000 jobs by March 2015

2.4. GrowthAccelerator provides a framework to help companies:

- build a successful growth strategy;
- discover new routes to funding and Investment;
- unlock their capacity for further innovation;
- harness the power of their people; and
- unite and excite their leadership team.

2.5. GrowthAccelerator's network of world-class growth experts work side by side with leaders of high-growth potential SME businesses to provide them with the know-how and ability to achieve sustainable growth. The service helps discover what is holding a business back, defines the right growth plan and opens doors to world-class business experts and networks.

2.6. The service is driven by approximately 120 locally-based Growth Managers across England. The service includes a rigorous 'Business Acquisition' process to actively sign up companies in order to, assess their high growth potential (and thus suitability for the service), identify barriers to high growth with the senior management, develop an agreed plan of support and appoint a matched coach. Support can include:

2.7. **Coaching:**

- Business Development Coaching – tailored coaching from one or more experts and themed business workshops: aimed at 75% of companies;
- Access to Finance Coaching – including coaching, small masterclasses and introductions to funding sources: aimed at 15% of companies; and

[1] BIS Small Business Survey 2012.
[2] BIS Small Business Survey 2012
[3] www.cipd.co.uk

- Growth through Innovation – including coaching and small masterclasses. This covers product (including IP protection coaching), market and culture: aimed at only 10% of companies.

2.8. **Connecting business to local and national:**

- *Facilities* – local and national (specialist) facilities that could assist the company's development;
- *Specialists* – relevant specialists (from local Intellectual Property, accountancy, lawyers to national centres and sources of finance (e.g. Technology Strategy Board);
- *Networks* – relevant local and specialist networks; and
- *Mentors* – identification of complementary mentoring needs and assistance in identifying appropriate mentors.

2.9. **Bringing the GrowthAccelerator alumni companies together into a growth community.**

2.10. Companies receive support over a 6 to 18 month period **to deal with a range of issues**. There is a client contribution to the service. The current cost to them is:

- Micro and start-up businesses (up to 4 employees) – £600;
- Small businesses (5 to 49 employees) – £1,500; and
- Medium-sized companies (50 to 249 employees) – £3,000.

2.11. The service has a target breakdown for support by size of SME: 5% are Start-ups, 10% micro business, 75% smalls and 10% mediums.

2.12. To be eligible, businesses need to be registered in England with fewer than 250 employees and a turnover of less than £40m.

2.13. GrowthAccelerator targets SMEs assessed as high growth potential in the following areas:

- Product/ market potential
- Management capacity for growth
- Management ambition to double within 3 years

The Service Offer to LEPs

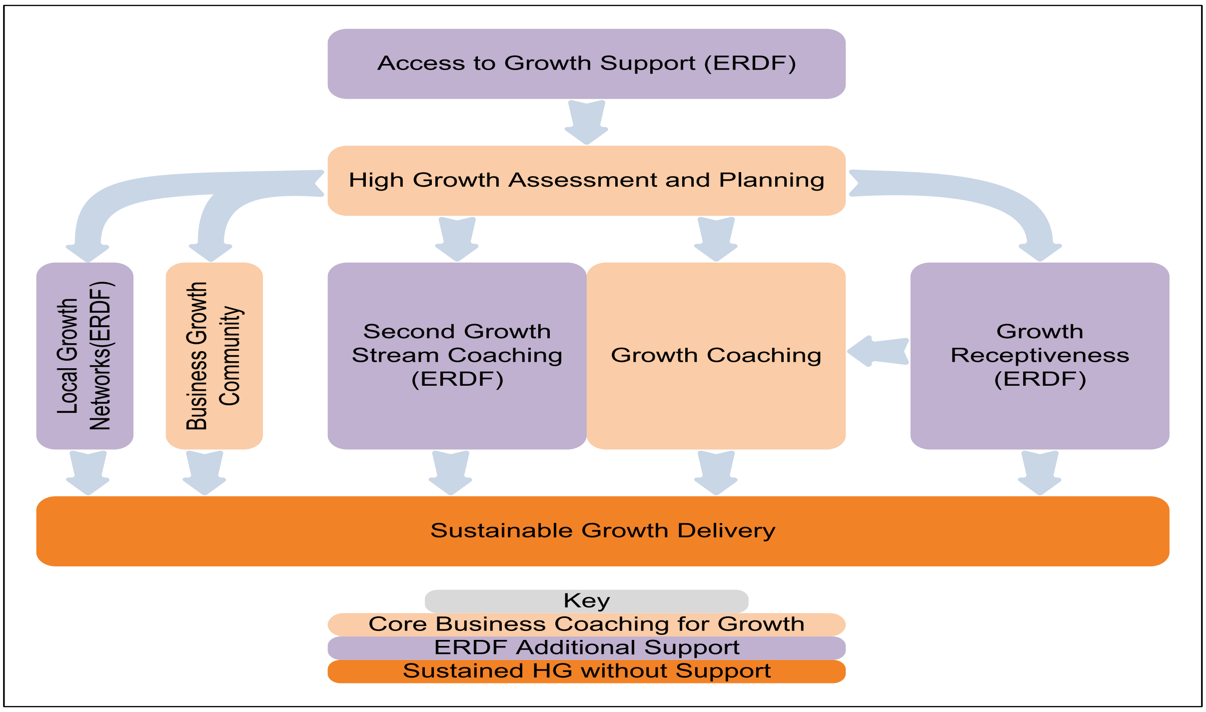
2.14. Existing ERDF applications to enhance GrowthAccelerator support for 2013-2015 total over £18.3 million. They will enhance the GrowthAccelerator's support for over 3,200 businesses, creating a further £215m GVA and over 3,300 jobs.

2.15. In order to deliver additional economic growth, improved GVA and job creation, the ESI Funds enhancements will focus on a sub-set of businesses to provide:

- Greater reach into the LEP identified priority business groups, allowing improved access to the GrowthAccelerator service;
- More in-depth coaching interventions in order to increase companies receptiveness to high growth coaching (increasing take up rates locally) and to tackle multiple growth challenges (eg tackling business development and access to finance), in doing so generating additional GVA; and
- Development of a local high growth culture, ensuring a sustained environment for future high growth business.

2.16. LEP funded activity may include:

- **Access to Growth Support -** outreach to local groups and priority sectors through the provision of additional Growth Managers. Each Growth Manager will engage the client-base, give talks and engage face-to-face with potential businesses in order to reach wider segments of the business population. The Growth Manager will take the wider pool of businesses through a defined 'Acquisition' process. This could include assessing commitment to growth, using tools and face-to face interviews to agree barriers to growth, defining coaching needs and developing a tailored coaching and connectivity plan;
- **Growth Receptiveness and Additionality -** we will provide additional coaching days (allowing the programme to address multiple barriers to growth) and to provide support where 'stellar' growth is possible ('growth additionality'). Each tailored plan will specify the type(s) of coaching required, the extent of the business' management commitments and the desired outcomes of the coaching (e.g. increase sales to Canada by 50%, ensure new product has clear commercialisation route, preparation of business case and introduction to possible finance sources). The coach(es) will be selected from a pre-qualified pool of over 1,000 proven high growth coaches using the GrowthAccelerator coach-matching tool. The Growth Manager will monitor progress (over a 6 to 18 month intervention), ensuring coaching quality and appropriateness (if needs change, the Growth Manager will change coach); and/ or
- **Growth Networks -** the ERDF funding will allow the development of local networks of growth firms (eg Science Parks, the low carbon supply chain networks and local knowledge transfer networks). Each coaching plan will connect firms with the assistance and facilities they need'. GrowthAccelerator support staff have developed databases of organisations, so they can match individual businesses with the most appropriate source of expertise in the local area, including networking activity to support LEP sectors or other business support initiatives. The exact local networks developed will respond to the composition and needs of the businesses within the ERDF project: the BIS match funding will also provide access to national networks.



ESI Funds Applicant

2.17. The GrowthAccelerator service is currently delivered by a partnership of leading private sector business growth experts (Grant Thornton, Pera, Oxford Innovation and Winning Pitch) using Government funding from BIS. This consortium delivers the service in all areas of the country.

2.18. For the 2014-2020 period, the GrowthAccelerator consortium members will formally act as the applicants for ESI Funds matched by the GrowthAccelerator service – those LEPs opting-in to the GrowthAccelerator Service will “give” part of their notional allocations to the consortium and the consortium members will take on responsibility for applying formally to the Managing Authority to draw down the total amount of ESI Funds. The consortium members will take on the necessary paperwork and administration associated with the application.

Match Funding

2.19. Subject to budgets in future years, BIS believes it could mobilise up to £200million of match funding nationally over the 7 year programme. This includes private sector match. This will mean a national programme of at least circa £400m, with projects beginning in 2015.

Pooling of LEP ESI Funds

2.20. The enhancements to the GrowthAccelerator offer will be procured nationally (see below). However, each LEP which opts-in will secure for its area the full value of the enhancements for which it has paid.

2.21. LEPs will not be forced to work together across wider areas for the purposes of delivery of the GrowthAccelerator service. Of course, if LEPs wish to pool service enhancements for the purposes of economies of scale or improved working across wider areas, they would be free to do so.

Timing of Decision

2.22. LEPs will have to opt-in to the GrowthAccelerator service offer at the start of the funding period so that BIS can determine the likely amount of ESI Funds it is being asked to match at the outset, and the likely shape of the future GrowthAccelerator service. Investment Strategies should set out the level of funding that will be available each year over the ERDF funding round.

2.23. The level of BIS funding for GrowthAccelerator in 2015- 2016 will not be confirmed before LEPs submit their draft Investment Strategies in early October 2013. Further information on national match will be communicated to LEPs as soon as it is available.

Nature of Decision

2.24. LEPs seeking to opt-in should make a notional commitment in their draft Investment Strategies. This will become binding once ERDF contracts are signed

Monitoring

2.25. GrowthAccelerator reporting is already available at LEP level. Reporting for 2014-2020 on all GrowthAccelerator activity in individual LEP areas will be available on a quarterly basis.

2.26. LEPs will have direct access to a named GrowthAccelerator contact. This contact will attend LEP meetings as appropriate.

2.27. Performance will be managed via an agreed process – this could be through a wider area Steering Group or other management mechanisms to be agreed with the LEPs and GrowthAccelerator consortium. Disputes would be resolved with GrowthAccelerator consortium.

Procurement

2.28. BIS will procure the GrowthAccelerator service nationally, ensuring compliance with EU procurement rules. Local enhancements cannot be procured separately but will be incorporated within the national procurement approach.

2.29. The successful bidder for the national contract will operate the service at all local levels and will be responsible for the application and delivery of ESI contracts.

Contact

2.30. For further information on what is currently offered through GrowthAccelerator in your area and discussion on what enhanced support could look like please contact Chris Hepworth on chris.hepworth@bis.gsi.gov.uk

The Manufacturing Advisory Service

3.1. This prospectus is aligned with the SME Competitiveness Thematic Objective.

Background

3.2. The Manufacturing Advisory Service (MAS) is the Government's flagship business improvement programme for manufacturers. It provides specialist strategic and technical advice to help improve the competitiveness of manufacturers in England.

3.3. The new national MAS was launched in January 2012 with a budget of £59.3 million to the end of March 2015 and is expected to help deliver £1.2 billion additional GVA, 23,000 new jobs and safeguard a further 50,000 jobs under the contract.

3.4. Strategic priorities for MAS include:

- Delivery of tailored specialist strategic and technical support to SMEs with the capacity and ambition to develop advanced manufacturing capabilities and compete internationally;
- Support for supply chain interventions to strengthen and grow the domestic supplier base in key advanced manufacturing sectors in line with priorities identified in BIS's Industrial Strategies[4] for key economic sectors ; and
- More integrated and joined-up delivery with national and local business support schemes so support is easier for SMEs to access and more efficiently delivered.

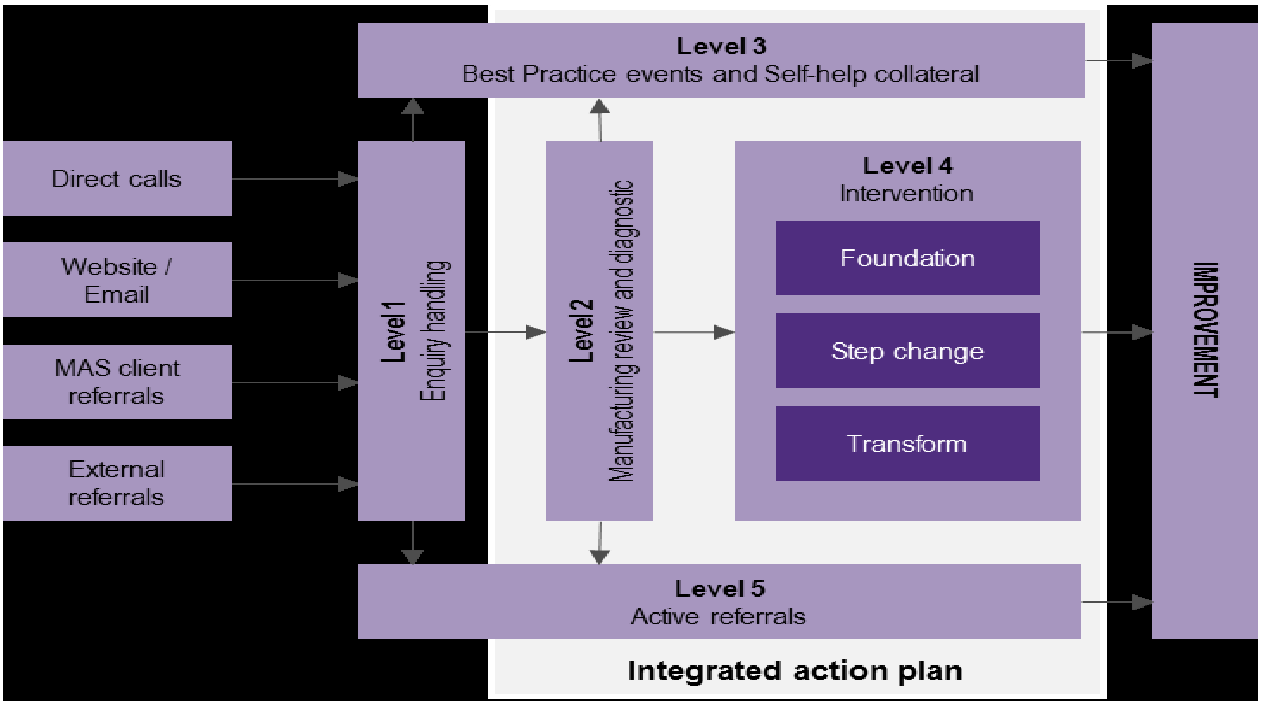
3.5. The national MAS programme supports delivery of a five level advisory service for manufacturers.

- **Level 1** – provision of a telephone helpline and email/ website contacts;
- **Level 2** – undertaking a manufacturing review with the company to identify the desired future state and identify the actions needed to reach that destination. Level 2 is usually undertaken in person at the company's premises by a skilled manufacturing advisor;
- **Level 3** – provision of best practice events; one-to-many training events that develop individual and business skills as well as a programme of best practice visits to exemplar companies to better understand best practice. These are delivered at accessible locations across the country;
- **Level 4** – provision of in depth business support interventions with manufacturing firms offering specialist support at different levels depending on the requirements of the business (up to 50% funded). Typically this is between £2k - £3k but can be up to £10k where additional funding is leveraged (e.g. Regional Growth Fund/ ERDF); and
- **Level 5** – active referrals to other support services of use to the client.

3.6. The national MAS service is available to all manufacturers in England. The subsidised level 4 service is only available to SMEs Level 4 interventions cover operational efficiency, business strategy, new product development and supply chain improvement.

[4] https://www.gov.uk/government/policies/using-industrial-strategy-to-help-the-uk-economy-and-business-compete-and-grow

Customer Journey



3.7. Further details can be found at www.mymas.org

The Service Offer to LEPs

3.8. The current national MAS programme is already committed to provide match for ERDF funded enhancements until April 2015. BIS hopes that for the 2015-2020 period the MAS programme will continue to provide match for ERDF to fund more intensive or additional support to manufacturers, in line with local economic priorities and needs. Currently BIS has made no public announcement on the future funding of MAS past April 2015 but anticipates that this decision will be made by Autumn 2013. It is likely that this funding, once announced, will not be for the full 2015 – 2020 period and is most likely to be initially for one or two financial years. This decision will be communicated to LEPs at that time

3.9. It is anticipated that, for most LEP's, the enhanced service after 2015 will be based on a suite of fixed enhancements. All of these enhancements will be delivered within the level 1 – 5 model but amplified to meet local need through additional ERDF resource through a mix of:

- additional advisor time to support more firms;
- higher grant levels for more intensive consultancy support; and
- more best practice or training workshops and events.

3.10. In addition, MAS with its national reach can connect local firms with national centres of excellence regardless of location and provide LEPs with manufacturing intelligence, including benchmarking. It is important for BIS that any enhancements to MAS supported by the LEPs should incorporate enhanced and clearer joining-up with relevant local business support offers to ensure the customer journey is easy to access and appropriate to their needs.

3.11. The particular shape of the suite of fixed offers is yet to be decided but is likely to encompass:

- **Enhancing the reach of the MAS core offer**: Greater reach to priority local manufacturing sectors through the provision of additional advisor time. The opportunity exists for manufacturing advisors to increase the amount of local intermediary networking they undertake. This would enable MAS to reach a wider segment of the local manufacturing business population through engaging with intermediaries client-base, giving talks and engaging face-to-face with potential businesses;
- **More intensive support**: Funding for in-depth consultancy can increase from £3,000 to a maximum of £10,000 with the addition of ERDF. This support can be focused on local priorities within the scope of the MAS offer, including innovation, operational efficiencies, manufacturing strategy and supply chain diversification; and
- **Supply Chain Development**: Greater support for local supply chain development through the provision of additional supply chain specialists with links to the Original Equipment Manufacturers (i.e. voice of the customer) and national sectoral bodies. Supply chain specialists would support local cluster developments or support supplier improvement initiatives for priority sectors, including though more intensive support and benchmarking.

3.12. Government is inviting LEPs to opt-in to the MAS offer for 2015-16 and beyond. LEPs should use the proposals above to propose enhanced MAS services that would meet the needs of the local manufacturing business base. MAS will then be able to discuss these proposals with interested LEPs in the second half of 2013 when their will be more clarity on the match funding availability.

3.13. LEPs should feel free to propose other types of project where they are particularly high impact or innovative and it meets the national objectives set within the Industrial Strategy.

ESI Funds Applicant

3.14. The MAS service is currently delivered by the Manufacturing Advisory Consortium (led by Grant Thornton with WMMC, PERA and SWMAS) using Government funding from BIS. This consortium delivers the service in all areas of the country via local teams. There is no regional targeting by BIS but the advisor density by region is aligned to the manufacturing base of the geographic area.

3.15. In the 2007-2013 programme the individual consortium members have applied for ERDF funds in seven of the nine regions to enhance the core BIS offer (bids were not submitted in the 2007-2013 programme in London or the South East because funds were not available for this activity.) MAS has also secured enhanced funding through Regional Growth Fund for a specific off shore wind intervention (GROW).

3.16. For the 2015-2020 period, the company or companies holding the contract to deliver MAS at that time will formally act as the applicant for the ESI Funds matched by the MAS service – those LEPs opting-in to the MAS Service in this period will "give" part of their notional allocations to the company and it will take on responsibility for applying formally to the Managing Authority to draw down the total amount of ESI Funds. The company will take on the necessary paperwork and administration associated with the application.

Match Funding

3.17. Currently MAS receives £19million per annum from BIS to deliver the core, national MAS programme. The amount of funding available from April 2015 will be agreed by BIS during 2013 and LEPs will be updated at that time.

3.18. Current MAS ERDF enhancement projects deliver business assists, new jobs, businesses improving performance as well as a number of local indicators. The indicative values of the ERDF contribution over two years of the current programme (Apr 2013- Mar 2015) are shown below to give LEPs an indication of the potential scale of local enhancements that may be possible in the 2015-2020 period. (Please note that some of the ERDF investments below are not fully approved so could be subject to change.)

Region	**ERDF investment/ requested**
NE	£1,065,000
NW	£2,732,000
WM	£3,200,000
Yorkshire and Humber (2 bids)	£2,600,000
East of England	£2,000,000
EM	£1,400,000
South West (2 bids)	£1,945,000
TOTAL ERDF	**£13,942,000**

3.19. The MAS delivery consortium would provide the public match funding and where appropriate would use private sector match funds through client contributions for the in depth support.

Pooling of LEP ESI Funds

3.20. The enhancements to the MAS offer will be procured nationally. Upon successful application for ESI funds by the MAS deliverer each LEP which opts-in will secure for its area the full value of the enhancements for which it has paid.

3.21. The move to a nationally contracted, locally delivered MAS, has ensured a consistent quality of service across England as well as providing manufacturers with access to the best possible advice regardless of location. It has also enabled the delivery model to be optimised to secure economies of scale while maximising economic outcomes, including by aligning activity with national sector priorities identified in Industrial Strategies; MAS is seen as a key delivery tool for the Industrial Strategy.

3.22. Wherever possible, BIS would wish to work with LEPs to pool the ESI Funds they wish to commit to MAS to enable this successful and high impact approach to continue. It is envisaged this would be most appropriate where contiguous LEPs are looking to expand the reach of MAS through shared Growth Hubs or where several LEPs across the country are looking to support supply chains in the same priority manufacturing sectors. In these cases, it is likely that economic outcomes will be maximised by working flexibly across geographic boundaries and MAS will aim to ensure that each

LEP which opts-in will secure for its area the full value of the enhancements for which it has paid.

3.23. To support the LEP's local requirements it will be expected that regular LEP level performance reports for deliverables will be submitted for scrutiny and LEPs will be given local deliverer contacts. Government expects MAS to be able to deliver reports to the LEP that show delivery in the geographic area and outcomes e.g. number of Level 2's, number of events, number and funding of Level 4's plus associated outcomes. This information will enable the LEP to satisfy itself that delivery is progressing as agreed and that value for money is being achieved from the ERDF investment.

3.24. LEPs are encouraged to consider how other manufacturing support they are looking to provide can work with and alongside MAS. BIS does not wish to see a proliferation of similar publicly funded products available locally. MAS will be able to advise LEPs on the extent of the local offer and any areas that may not be covered at present.

Timing of Decision

3.25. Over the next few months BIS will procure MAS for April 2015- 2016. LEPs are therefore asked to make a decision about whether to opt-in this summer in order to inform development of the shape and scale of future MAS support.

3.26. Detailed information about the amount of match funding available from MAS at national or LEP level will not be available at the time LEPs submit their ESI Funds Strategies in early October. As more information on the service after 2015 becomes available it will be communicated to LEPs.

3.27. LEPs may be able to opt-in at a later stage in the funding period, depending on the initial level of interest from LEPs and the amount of match funding available to MAS throughout 2015-2020.

Nature of Decision

3.28. Due to the time frame for procurement of the new MAS contract, it will be necessary for LEPs to make provisional commitments in their draft ESI Funds Strategies in early October 2013. These will be notional commitments on relevant LEPs when their ESI Funds Strategies are agreed by Government early next year and will only become fully binding once match funding is confirmed from BIS.

Monitoring

3.29. Each LEP opting-in will receive quarterly performance reports of delivery in the LEP area (this will include the total MAS delivery as well as that linked to the ERDF enhancement). MAS's current client record system is well placed to deliver this level of detail and enable close scrutiny of local delivery. In addition, each LEP would have a named contact from the MAS consortium team who would act as a liaison between the LEP and the local MAS delivery teams. The named contact will update on progress and attend local meetings as necessary.

3.30. If performance in a LEP area is slipping from that agreed at the outset between the LEP and MAS then a time bound action plan will be put in place and then closely monitored. The action plan will be taken forward by the local delivery team, led by the named national MAS contact, and overseen by the LEP and BIS. If it fails then a formal renegotiation of the contract could be undertaken with the Managing Authority.

Procurement

3.31. The procurement of the MAS service post March 2015, including local enhancements, will be undertaken by BIS nationally. BIS will ensure compliance with EU procurement rules.

3.32. The successful bidder for the national contract will deliver the MAS service at all local levels and will be responsible for ESI Funds contracts.

Contact

3.33. If you are interested in understanding further the current MAS activity in your area and discuss what an enhanced MAS service in 2014-2020 could look like, please contact Jenny Taylor at jennifer.taylor@bis.gsi.gov.uk or 0750 0094682.

UKTI International Trade

4.1. This prospectus is aligned with the SME competitiveness Thematic Objective.

Background

4.2. UKTI is the Government Department that helps UK-based companies succeed in the global economy and assists overseas companies to bring their high-quality investment to the UK. Its highly successful support programmes include Passport to Export (development help for new and inexperienced exporters), Gateway to Global Growth (support for more experienced exporters), Market Visit Support and the Tradeshow Access Programme (incentives for SMEs to visit overseas markets in Europe and beyond). UKTI helps firms with both intra-EU co-operation and entry into emerging and high growth markets outside the EU.

4.3. The Government invites LEPs to support the National Export Challenge – endorsed by the Prime Minister and Minister for Trade. It aims to encourage an additional 100,000 companies to export by 2020, doubling UK exports to £1 trillion in the same time scale, thereby addressing the relatively poor export performance of UK companies compared to their EU counterparts (approximately 1 in 5 UK companies export as opposed to the EU average of around 1 in 4). Increasing exports offers significant growth by boosting business productivity and delivering genuinely additional new employment, as the chances of displacement are low.

4.4. UKTI leads for Government on all trade promotion activity. Any LEP considering investment of ESI Funds in trade promotion activities outside the UKTI opt-in offer should discuss their ideas with their UKTI Regional Director. The UKTI Regional Director is responsible for ensuring that projects supported with ESI Funds do not duplicate or compete with the UKTI national offer or policy objectives. It is not possible for UKTI match funding to be available for any projects outside the UKTI Opt-in model.

The Service Offer to LEPs

4.5. UKTI will maintain the evolving national core service offer – available in all LEP areas – but would like to collaborate with LEPs to enhance and localise support with the aim of at least doubling current activity. This will be accompanied by a guarantee of service levels and additional UKTI activity at least in line with local economic weight/SME populations. UKTI activity that leads to export sales allows companies to achieve employment growth and productivity gains which are not otherwise possible.

4.6. The collaboration envisaged builds on long experience in UKTI and its delivery partners in delivering successful EU funded international trade projects, efficiently utilises UKTI's significant public funding (and leveraged private sector funding) as match, whilst providing LEPs with the opportunity to fully reflect the needs of local companies.

4.7. As a first step in developing LEP collaborations, UKTI offers those LEPs that opt-in (subject to sufficient agreed funding levels) the package set out below. Previous evaluations show this kind of support leads to a 20 fold return for every £1 of public investment.

4.8. **A 100% funded full time International Co-ordinator post** - These posts would be fully funded by ESI Funds using UKTI match funding. The role of the International Co-ordinator would be to work at a local level to identify and articulate international needs locally and work alongside the Regional Director and the existing UKTI contractor/delivery partner to reflect wider area and national agendas.

4.9. UKTI will offer all LEPs the opportunity to host this post which could be jointly recruited but employed by the local UKTI contractor/ delivery partner. The International Coordinators would:

- Promote the internationalisation agenda at a local level;
- Co-ordinate activities across all economic partners, particularly within local government;
- Help connect local companies, clusters, networks or other multi-business partnerships to national and international partners identified through UKTI's network;
- Provide direct UKTI service brokering and signposting support to local businesses;
- Act as a local voice for UKTI services and a voice for the locality at a national level;
- Provide local economic intelligence and feedback on services;
- Work with other International Coordinators to develop wider area schemes; and
- Help manage a local UKTI Innovation in Services Fund.

4.10. The International Coordinator might also play a role in aligning actions supported by ESI Funds at a local level, considering Green and Blue Growth projects, identifying opportunities in supply chains, supporting aftercare actions for foreign owned companies, developing initiatives with the third sector to connect to the hard to reach, and working with HE to support international graduate enterprise.

4.11. **Each LEP that opts-in will also have access to a minimum of one fully-funded International Trade Advisor post to assist businesses in their locality** - The International Trade Adviser role is a cornerstone of the UKTI delivery model. European Commission and UKTI research shows that these advisory roles are one of the best ways of achieving improvements in SME capability and overcoming the key obstacles and barriers to progress (lack of finance, skills and information). International Trade Advisers work with businesses' management teams over a significant period of time, helping those with no prior export experience to understand the potential opportunities, and more experienced management teams to build on existing success. Whatever an SME's level of experience, UKTI can help them by finding contacts and opportunities, developing internationalisation strategies which build sales, and by managing key export processes and intellectual property and identifying skills needs.

4.12. **Every LEP that opts-in would be involved in the deployment of a UKTI Innovation in Services Fund -** A UKTI Innovation in Services Fund will allow for the creation of new local services complimentary to the UKTI offer, enhancing and localising support. Each LEP that opts-in will be involved defining the use of these Funds to pilot and test complimentary and innovative approaches.

4.13. All UKTI delivery partners (contractors) will create aligned posts within their teams to support International Co-ordinators, LEPs and LEP groupings around international issues - All UKTI contractors would report quarterly to LEP CEOs/ Boards on activities in their local area to secure local accountability

4.14. **In return, LEPs would assign a proportion of their allocated ERDF funds in line with the benchmark below -** The UKTI public and private match available to LEPs in England for ERDF activity is currently estimated to be around £60m per annum. It is expected that this level of match will continue to be available for each year of the 2014-2020 period, so it is possible that across England projects will have access to as much as £420m of match funding. These figures do not take account of any potential related HE, skills, access to finance or innovation match funding which may be available.

4.15. As a starting point LEPs could consider opting-in to the UKTI service offer with around £20k of ERDF per annum per 1,000 VAT registered/ PAYE businesses in their areas (the assignment of match for ESF and EAFRD will be the subject of separate discussions). This level of opt-in would be approximately in line with current UKTI ERDF project financing benchmarks.

Match Funding

4.16. UKTI can offer LEPs at least £1 of public and private match funding for every £1 of ESI Funds which they assign to international activities under these arrangements (this ratio will vary in a small number of areas). Participating LEPs will be expected to opt-in with the benchmark levels of assigned ESI Funds support described above.

4.17. Match funding from UKTI comprises delivery partner (contractor) funding, UKTI national match and leveraged private sector match. This arrangement allows projects in the current programme to create genuinely innovative and additional export services.

Pooling of LEP ESI Funds

4.18. The additional UKTI services supported using ESI Funds will be procured nationally (see below). However, each LEP which opts-in will secure for its area the full value of the enhancements for which it has paid.

4.19. LEPs will not be forced to work together across wider areas for the purposes of delivery of the additional UKTI services. However, UKTI would encourage LEPs to pool resources with other LEPs to exploit thematic, sectoral and service synergies across LEPs. LEPs that pool resources in this way will benefit from businesses in their area getting access to additional activities that might not be possible at the single LEP level. Moreover, economies of scale and scope should also be achievable through UKTI working with a wider pool of businesses on behalf of a group of LEPs.

Timing of Decision

4.20. To assist UKTI in understanding the likely demand and handle the associated administrative arrangements, LEPs are asked to indicate in their draft ESI Funds Strategies whether they wish to opt in, setting out the amounts of ERDF they wish to make available in each year of the 2014-2020 programme.

4.21. UKTI is asking LEPs to assign funding for the full seven year cycle in order to help provide stability and consistency of service and underpin the ambitious effort to double national export performance. These arrangements would be subject to a biannual review with LEPs and local partners. Agreements to opt-in will be binding for a minimum of three years.

Nature of Decision

4.22. LEPs seeking to opt-in should provide initial expressions of interest in their draft ESI Funds Strategies. These will become binding commitments when ESI Funds Strategies are agreed by Government in early 2014.

ESI Funds Applicant

4.23. The current local UKTI delivery partner (contractor) will formally apply to draw down the funding committed by the LEP from the Managing Authority.

Procurement

4.24. Current UKTI delivery contracts are let against an OJEU compliant national competition on a three-year cycle (with the possibility of up to two-year extensions). New contracts will therefore need to be procured during the course of the 2014-2020 programme. Re-contracting is highly unlikely to alter the availability of match funding.

Monitoring

4.25. Monitoring of UKTI projects will be carried out by the Managing Authority. Reporting to LEPs will be undertaken by local UKTI Regional Directors, their Deputies and delivery partners.

Contact

4.26. For further information, please contact your lead UKTI Regional Director (see below).

Local Enterprise Partnerships (LEPs) and their UKTI Regional Director (RD) leads	
Regional Director (UKTI Lead)	**LEP**
UKTI South East Lewis Scott T: +44 (0)303 444 6866 E: lewis.scott@ukti.gsi.gov.uk	Buckinghamshire Coast to Capital Enterprise M3 Oxfordshire City Region Solent Thames Valley Berkshire
UKTI West Midlands Paul Noon T: +44 (0)121 345 1247 E: paul.noon@ukti.gsi.gov.uk	Black Country Coventry & Warwickshire Greater Birmingham & Solihull Stoke-on-Trent & Staffordshire The Marches Worcestershire
UKTI North West Clive Drinkwater T: +44 (0)1925 864597 E: clive.drinkwater@ukti.gsi.gov.uk	Cheshire & Warrington Cumbria Greater Manchester Lancashire Liverpool City Region
UKTI South West Russell Jones T: +44 (0)7785 330087 E: russell.jones@ukti.gsi.gov.uk	Cornwall & the Isles of Scilly Dorset Gloucestershire The Heart of the South West Swindon & Wiltshire West of England

Local Enterprise Partnerships (LEPs) and their UKTI Regional Director (RD) leads	
Regional Director (UKTI Lead)	**LEP**
UKTI East Midlands Peter Hogarth T: +44 (0)115 872 4731 E: peter.hogarth@ukti.gsi.gov.uk	Derby, Derbyshire, Nottingham, Nottinghamshire Leicester & Leicestershire Lincolnshire Northamptonshire
UKTI East of England Liz Basing T: +44 (0)1223 771801 E: liz.basing@ukti.gsi.gov.uk	Greater Cambridge & Greater Peterborough Hertfordshire South East New Anglia South East Midlands
UKTI Yorkshire and the Humber Mark Robson Tel: +44 (0)113 203 3703 Email: mark.robson@ukti.gsi.gov.uk	Humber Leeds City Region Sheffield City Region York & North Yorkshire
UKTI London Parveen Thornhill T: +44 (0)20 7234 5811 E: parveen.thornhill@ukti.gsi.gov.uk	London
UKTI North East David Coppock T: +44 (0)191 497 8575 E: david.coppock@ukti.gsi.gov.uk	North Eastern Tees Valley

European Investment Bank (Social Housing Financial Instrument)

5.1. The prospectus sits within the **low-carbon economy** thematic objective and delivers against the investment priority of "support to build the market in low carbon environmental technologies, goods and services including via domestic retrofit".

5.2. Although spending on retrofitting social housing will be counted under the low carbon thematic objective, the service will also deliver against other thematic objectives:

- Social inclusion & combating poverty;
- Employment & supporting labour mobility, by providing local enterprises with opportunities to deliver energy efficiency improvement works and thus creating employment; and
- Education, skills & lifelong learning, by offering training and apprenticeships in areas related to retrofitting (incl. energy assessment) and thus boosting demand for green tech skills as part of the low-carbon economy.

Background

5.3. Local Enterprise Partnerships (LEPs) are invited to invest a proportion of their ERDF allocation into a financial instrument to finance, by way of low interest long term lending, **low carbon investments in social housing** ("retrofitting") in their local area.[5]

5.4. Supporting energy conservation and low carbon generation in existing social housing will boost green skills training, related employment and support the delivery of low-carbon strategies/ sustainable energy action plans for neighbourhoods and local areas.[6]

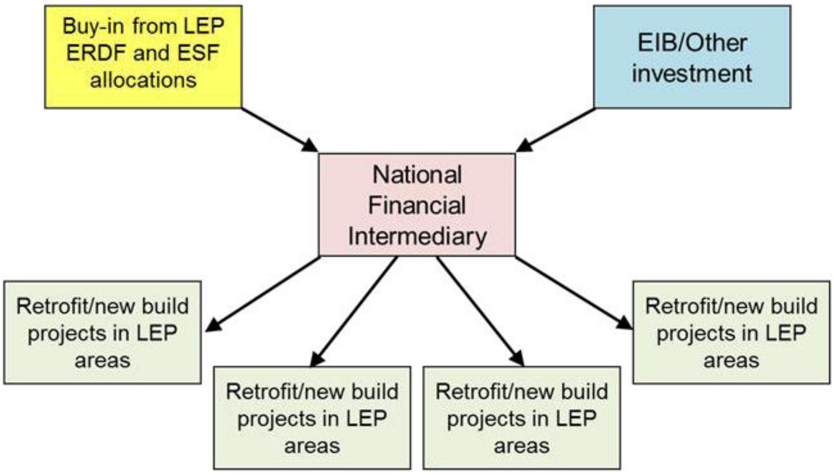
5.5. A recent study[7] established that, on average, every £1 million of investment in upgrading the energy efficiency of our building stock will create 22 new direct jobs in the construction sector and that the vast majority of these jobs will be local. In addition, it can be expected that more than 60 indirect jobs will be created to benefit the local economy.[8]

5.6. With energy efficiency investments carried out on behalf of low income households the wider economic and social inclusion benefits are substantial due to addressing fuel poverty and diverting household expenditure away from fuel bills and towards more labour-intensive goods and services.

[5] Useful information on social housing can be found on www.housing.org.uk.
[6] An example of this type of approach is documented in 'The Community Green Deal' – a report prepared for the Homes and Communities Agency and the Sustainable Housing Action Partnership in December 2010 (http://www.shap.uk.com/projects/shap10/Report/).
[7] How Many Jobs? A Survey of the Employment Effects of Investment in Energy Efficiency of Buildings; Based on Research by: Rod Janssen and Dan Staniaszek; Published by The Energy Efficiency Industrial Forum; May 2012.
[8] Comparative data for EU and UK available in: The case for including energy efficiency investment in the fiscal stimulus package. A report for Greenpeace by Impetus Consulting Ltd, March 2009.

The Service Offer to LEPs

5.7. It is proposed that the fund would be initially established and overseen by the European Investment Bank (EIB), subject to sufficient interest from LEPs and final approval by the EIB. On behalf of those LEPs that opt-in, the EIB would procure dedicated national social housing financial intermediaries (fund managers) to invest in project delivery on a repayable basis at LEP level. The fund would utilise LEPs' ERDF contributions alongside institutional investment funding, including potential EIB investment.



5.8. A LEP wishing to opt-in to this service offer would need to demonstrate a project pipeline with minimum total investment cost of £20 in the LEP area and commit to provide a minimum of £10m ERDF funding. LEP resources contributed to the financial instrument would be ring-fenced to the relevant LEP area. Subject to there being sufficient interest in the model and the resulting financial instrument having the necessary scale, it is proposed that EIB lending and other institutional investment could be used as match for the LEPs' ERDF contributions, negating the need for match to be secured at LEP level.

5.9. An example investment package could look as follows (2014-2020 period):

Example Investment Package	
£20m	ERDF contribution from LEP to fund
£100m	Total fund investment in LEP area
1740	New direct jobs created for LEP
4490	New indirect jobs created for LEP
2400	Housing units upgraded[9]
500	New housing units built[10]

[9] Calculation based on an average £12.5k investment per unit, reflecting the higher cost due to already better energy standards in social housing stock compared to private market properties.
[10] Subject to the source of co-investment new build could also be financed by the lead fund, e.g. European Investment Bank (EIB) could consider lending to support wider new build social housing activity through or alongside the FI to provide further value added and leverage on each LEPs SI contribution. In this example, 30% of the total investment (£30m) is allocated to new build.

5.10. Housing associations would borrow money from the financial instrument to undertake retrofit and potential new build (non-ERDF funded) projects. Repayment of the loan component could be either through a Green Deal type mechanism on a relatively long term basis (pay-as-you-save) or could come from housing associations' own resources.

5.11. The model builds on a financial instrument already in operation in London[11] which uses ERDF and EIB funding sources. As in the London example, in addition to providing match funding for the ERDF project, the EIB lending could also be used to support wider (non-ERDF) new build social housing activity through the financial instrument to provide further value added and leverage on each LEP's ERDF contribution.

Match Funding

5.12. Match funding could be available through EIB lending and other institutional investment, including housing associations' own reserves.

5.13. EIB lending to the social housing sector in the UK is expected to be almost £1bn in 2013, and a similar trend should continue in the coming years as EIB remains relatively competitive in this sector. This will include lending for new build and low carbon investment. It is therefore possible to envisage match funding as well as considerably more leverage on a LEP contribution to this fund.

Pooling of LEP ESI Funds

5.14. A LEP's contribution to the financial instrument would be ring-fenced to the LEP area, provided the investment cost of the LEP's project pipeline meets the required level of critical mass of £20m per LEP area (i.e. the LEP commits to a £10m ERDF contribution).

5.15. Returns generated by project investments would also be reinvested in the LEP area, subject to the agreement of the fund manager.

Timing of Decision

5.16. LEPs are encouraged to opt-in at the beginning of the 2014-2020 programme period to enable sufficient critical mass for the fund to be created. LEPs would be required to opt-in for the full duration of the Fund, although it is expected that the actually financial commitment would occur in the first two years of the programme. Repayments are likely to span over a period of 30 years, which is typical of lending arrangements to the social housing sector. These would accrue on an annual basis to allow for some initial return on investment and opportunities for reinvestment at LEP level.

5.17. Subject to their being sufficient interest in the first instance to enable the creation of the fund, there might be opportunities for "late" joiners later in the programme.

Nature of Decision

5.18. A LEP wishing to opt-in will need to make a provisional commitment in its draft ESI Funds Strategy (early October 2013) of at least £10m of its ERDF allocation (indicating a project pipeline with investment cost exceeding the £20m critical mass threshold). Government will at that stage be able to determine the likely demand and therefore

[11] A component of the London Green Fund (a JESSICA holding fund managed by EIB on behalf of the Greater London Authority and the London Waste and Recycling Board).

viability of the Fund. The LEP's commitment will become binding when its Strategy is agreed by Government (early 2014).

5.19. A LEP wishing to opt-in should also include in its ESI Funds Strategy an indication of the level of interest in EIB investment in new build (this is additional and does not require an ERDF contribution).

5.20. The ESI Funds Strategies of those LEPs opting-in may have to be altered if the financial instrument's ex ante assessment, to be undertaken under the supervision of EIB, demonstrates that there is insufficient demand in the LEP area for the financial instrument to be viable.

ESI Funds Applicant

5.21. LEPs interested in this financial instrument are strongly encouraged to nominate suitable accountable bodies to become the formal ESI Funds applicants on their behalf (e.g. local authorities). This is necessary as the investment fund needs to contract with recognised legal entities that will be responsible for investing the ESI Funds on behalf of their LEPs. These obligations, where relevant, would be passed onto the financial intermediary and final recipients to ensure compliance with EU rules. Nominating a local accountable body such as a Local Authority as the ESI Funds applicant would guarantee that the returns on investment stay in the LEP area.

Procurement

5.22. EIB can be selected without procurement to act as Fund of Funds Manager or equivalent in line with the provisions of the draft regulations[12]. EIB would then procure the financial intermediaries on behalf of the LEPs who have chosen to opt in to the Fund.

5.23. At project level, any contracts issued to deliver the low carbon investment in the locality will be subject to established procurement processes of the respective social housing provider.

Monitoring

5.24. The nature of the overarching governance arrangements for the Funds of Funds or equivalent is yet to be determined and is subject to further discussion between Government and LEPs depending on the level of interest expressed by LEPs. The role of the EIB as an investor and as a Fund of Funds manager is to be formally agreed with Government in autumn 2013 following the submission of LEPs draft ESI Funds Strategies.

5.25. In existing funds of this nature, performance is overseen by an Investment Board, comprising a mixture of public sector representatives and private sector independent experts. Day–to-day investment decisions, however, will be the sole responsibility of the Financial Intermediary selected.

Contact

5.26. If you are interested in understanding further the European Investment Bank (Social Housing Financial Instrument) offer, please contact Emily Smith at e.smith@eib.org.

[12] Under Article 33.4(b) of the draft Common Provisions Regulation.

Big Lottery Fund

6.1. This prospectus is aligned with the social inclusion thematic objective.

Background

6.2. The Big Lottery Fund (BIG) is making a flexible offer that supports local priorities and delivery, and provides a mechanism for the engagement of local civil society organisations (voluntary, community and social enterprise sector organisations) in the development and delivery of local initiatives.

6.3. BIG is the largest lottery 'good cause' distributor, funding local projects across England through both targeted strategic investment focused on specific themes and open, demand led programmes that can support local priority projects across a wide range of themes. These two principal routes to funding offer LEPs flexibility to take advantage of BIG's existing, tried and tested funding processes to support the LEP's own local social inclusion and poverty priorities, and to provide a streamlined route to match funding.

6.4. BIG's funding is distributed primarily through local civil society organisations. BIG has an extensive range of contacts and networks at local level, and a track record in brokering local partnership bids on specific themes. These resources will be deployed to support quality projects and ensure a key role for civil society organisations in delivery, in line with EU expectations.

6.5. **Government is asking each LEP to route through BIG half of its required spending on the social inclusion and poverty thematic objective, for at least the first two years of the new programme.** BIG, however, is able to accommodate and match proposals for additional funds beyond that level, and beyond the first two years.

The Service Offer to LEPs

6.6. BIG is able to offer a delivery and match funding service which will enable LEPs to ensure their social inclusion priorities are met.

6.7. The offer to LEPs is flexible, with the ability to build on the initial two year minimum funding arrangement to match fund larger, and/ or longer-term, projects. BIG will work with LEPs to determine the best way to deliver against the objectives and priorities they have set out.

6.8. One option (if local priorities align) would be for LEPs to work with BIG to support the development of bespoke local proposals. These would be responsive to LEPs' needs and modelled on BIG's existing, successful strategic investment programmes. Some examples of these programmes are provided below (these descriptions provide LEPs with a flavour of the type of activities on offer; the exact type and level of intervention in any opt-in arrangements will be agreed between LEPs and BIG):

- Youth unemployment proposals could follow the "Talent Match" model. The programme, which has just been launched in 21 LEP areas, will help young people obtain employment, improve their skills and confidence to enable them to full fill their potential. Grants vary from £1,000,000 to £10,000,000 for each targeted area for up to 5 years;

- Financial exclusion proposals could follow the "Improving Financial Confidence" model. This programme aims to equip social housing residents with the skills and confidence to manage their finances and access basic financial services, increasing their prospects for self-sufficiency, stability and greater inclusion. To date the programme has invested over £30m across England through projects spanning from £500,000 to just over a £1,000,000;
- Proposals targeting individuals with multiple and complex needs could follow the "Fulfilling Lives: Supporting People with Multiple and Complex Needs" model. This programme is aimed at individuals living chaotic lives, such as the homeless, those suffering from addiction, people with mental health problems and ex-offenders. The programme offers improved and better co-ordinated services through long term investment and grants to projects of £4-10m; and
- Proposals to support social enterprise and social entrepreneurship could be supported through the roll-out or local expansion of currently funded schemes such as the Big Venture Challenge (UnLtd) and the School for Social Entrepreneurs. The Big Venture Challenge supports ambitious social entrepreneurs with business support, networks and contacts as well as match funding to raise investment and deliver social outcomes at scale. Investments range from £50-200k. The School for Social Entrepreneurs offers a series of courses for budding and more experienced social entrepreneurs to help them develop the skills, contacts and ability to raise the necessary investment to start up or scale up social enterprises and ventures.

6.9. BIG's management of these programmes is characterised by a focus on: rigorous evaluation and learning; early intervention approaches; strong emphasis on local needs, priorities and patterns of delivery as part of assessment and monitoring.

6.10. Where the above programme parameters do not closely match some of the priorities identified in the LEP strategy, BIG can invite proposals against local priorities and needs. This would build on the approach in the current Reaching Communities demand-led programme, which offers additional flexibility in the focus and scope of awards.

6.11. Reaching Communities has a track record of supporting local organisations in areas including:

- Tackling barriers to work across a range of communities;
- Work with offenders and ex-offenders;
- Community led local development;
- Projects targeted at excluded communities with high levels of deprivation and social exclusion, including combating discrimination;
- Projects supporting social inclusion through environmental activity; and
- Rural isolation and development.

6.12. This is not an exhaustive list – this approach can be used to deliver against other objectives as well in accordance with the needs of any given LEP area.

6.13. BIG will seek agreement with each LEP on the use of at least half of the LEP's allocation for social inclusion and poverty for at least the first two years of the 2014-2020 funding period (a LEP can of course commit to higher funding levels up to the full 7-year period of the European Growth Programme if it wishes). BIG will work with the LEP to identify the most appropriate BIG programmes through which to achieve local priorities and targets and to determine the scale and duration of funding necessary to achieve these targets. This will specifically involve determining whether proposals under any of BIG's strategic investment models are appropriate (where a more proactive approach to inviting partnership bids and some support in developing applications is likely to be required); or whether match funding through the Reaching Communities route would be more appropriate.

Match Funding

6.14. Projects would receive BOTH ESF funding from LEP allocations and match funding from BIG, meaning that the amount being spent in the local area is twice the amount available through ESF alone. As BIG will handle all the administrative requirements around the ESI Funds and match them at source, projects will not have to deal with the complexity of managing two separate funding streams.

Pooling of LEP ESI Funds

6.15. BIG will work with each LEP to deliver the LEP's priorities through local projects. Where two or more LEPs wish to work together on a project or programme to meet shared local priorities, BIG's national reach means it will be able to pool LEP resources and ensure the project/ programme is delivered seamlessly and efficiently.

Timing and Nature of Decision

6.16. This arrangement will enable LEPs to build a strong foundation for their social inclusion programmes at the start of the 2014-20 period. It is based on a minimum investment of ESI Funds with match from BIG in the first two years of the European Growth Programme. LEPs will therefore need to confirm their intention to take up this offer at the point of agreeing their ESI Funds Strategies with Government in early 2014. LEPs should begin discussions with BIG local teams during the development of their Strategies, and should provide an estimate of the level of ESI Funds they will put forward for BIG to match in their draft Strategies submitted early October.

6.17. Government is asking LEPs to route half of their allocations for the social inclusion thematic objective for the first two years of the European Growth Programme through BIG. LEPs can 'opt-out' of this arrangement if they are considering and would prefer an alternative route to meet their minimum spending levels on social inclusion. If LEPs are thinking of opting-out, they should discuss this with Local ESI Fund Teams. In such cases, the LEP will need to put forward a clear plan for engaging relevant delivery partners and securing match funding.

ESI Funds Applicant

6.18. BIG will take on responsibility for applying formally for ESI Funds from the Managing Authority on behalf of all LEPs opting-in. It will manage the grants as a 'single funder' using established monitoring and compliance processes.

6.19. As the ESI Funds applicant, BIG will be responsible for all relevant paperwork; commissioning and procurement; management of contracts and grants; making payments to project promoters; complying with audit requirements; monitoring and evaluation; and reporting. Aggregation of these administrative functions across LEPs within the BIG organisation will ensure efficiency, minimise administrative burdens on LEPs and local partners, and ensure compliance with EU regulations.

Procurement

6.20. LEPs and BIG will agree how to encourage eligible local proposals to deliver LEPs' priorities. These proposals will be submitted to BIG using BIG's existing application materials. LEPs will work with BIG's locally-based teams to inform the assessment criteria and decision-making processes that BIG will use to consider these proposals.

6.21. BIG's locally-based teams could also work closely with LEPs to proactively broker local partnerships where this might help stimulate more proposals to meet the specific needs of the LEP area.

Monitoring

6.22. BIG has established procedures for reporting and monitoring the progress and impact of the projects it funds. LEPs will be provided with aggregated reports on progress with projects on a six monthly basis, including any performance concerns and proposed approaches to addressing these.

Key benefits

- Match funds and agreed ESI Funds will be provided by BIG to local providers in a single funding stream, ensuring additional cash resources are deployed towards LEPs' priorities, in effect ensuring LEPs 'double their money';
- A flexible menu of approaches will be available to respond to local priorities as identified by the LEPs and their partners, with agreed outputs and outcomes according to local need;
- BIG would be able to invest in a diverse range of projects within a LEP area, enabling different priorities to be pursued according to local need;
- BIG can manage single awards at LEP-wide level as well as projects that span across two or more LEPs' boundaries;
- Streamlined, tried and tested application, award and monitoring processes managed as a 'single funder' for applicants; and
- Projects within strategic investment models are able to access additional specialist support, advice and networks.

Contact

6.23. If you are interested in understanding further the Big Lottery Fund offer, please contact the BIG Advice department at general.enquiries@biglotteryfund.org.uk.

Skills Funding Agency

Introduction

7.1. The Skills Funding Agency can help your Local Enterprise Partnership (LEP[13]) identify your local skills needs and turn this analysis into a robust and evidence-based strategy for skills investment in your LEP area. We will then help you to implement that strategy by procuring the right services, running the administration of the skills part of your ESI Funds Strategy, and providing you with levers to monitor and manage progress.

7.2. This prospectus describes the range of services that the Skills Funding Agency can provide to help LEPs discharge their new responsibilities to lead on setting local skills strategies. Our service offer relates to skills in the European Social Fund (ESF) thematic objectives 8, 9, and 10 within the 2014-20 European Growth Programme.

The Service Offer to LEPs

7.3. The new arrangements pass responsibility to LEPs to determine local priorities and opportunities to which the ESF will be used to respond. Our service offer recognises this completely, but removes the need for other local organisations to develop and operate what can be complex, bureaucratic and costly systems to manage the funds.

7.4. Because we manage large skills programme budgets, we can also match all ESF skills funds at source. This means you do not need to find the match funding locally, nor ensure or oversee systems that match individual learner records and other funding to the ESF programme.

7.5. Our service offer will use the systems and competences we have developed to free you to concentrate on what you wish to procure for your area. This service will be free of charge to LEPs as administration costs will be funded out of the ESF allocation. The arrangements will be set out in a tailored service-level agreement with each LEP, which will detail how we will work under the direct authority of, and provide accountability to you and the Managing Authority. The support we provide falls into a number of categories that are described in this proposal.

7.6. In summary, the key benefits of our offer are the following:

- Enabling you to take complete control of ESF funding, supported by professional services to help you deliver the skills elements of your strategy;
- Taking care of match funding for you, including systems to administer this;
- Providing a local service where we will report directly to each LEP;
- Delivering a tailored procurement service to each LEP that complies with all European procurement legislation;
- Providing professional advice and support on managing all the EU regulatory requirements for each LEP;
- Taking on the financial risk for the repayment of funds where audits highlight concerns on individual projects or match funding;
- Reducing the need for other local organisations to recruit and train specialist staff to procure and contract-manage projects, build and maintain payment and reconciliation systems and claims systems to the Managing Authority;

[13] For LEPs, please read 'LEPs, Core Cities and their partners'.

- Reducing the need for other local organisations to invest in systems and processes; and
- Providing efficiencies for the wider ESF programme for the benefit of learners and employers.

7.7. We are *not* operating a top-down, national programme that tells you what to do. This is a new approach.

The Agency's expertise

7.8. Our experience, expertise, systems and processes to deliver ESF-funded skills provision have been built up over a 14-year period and meet the requirements of the Managing Authority and the European Commission.

7.9. Our systems and controls are flexible and can therefore support changing policy priorities, while retaining the strength and rigour to contract and provide financial assurance.

7.10. Currently, we manage ESF delivery to the value of £1.53 billion, which represents approximately 60 per cent of the 2007-13 programme. As an indication of the range of provision we can deliver, our current portfolio includes the following: (i) adult skills provision for both employability and workforce development; (ii) 14–19 provision for those not in education, employment or training (NEETs) on behalf of the Education Funding Agency; and (iii) Community Grants on behalf of the ESF Operational Programme.

Working for each LEP to get the provision you want

7.11. Our procurement of skills provision, which we will carry out on your behalf, will comply with all EU legal requirements, particularly those in relation to open and competitive tendering (OCT) rules.

7.12. All colleges and training organisations wishing to receive ESF funding will have passed our rigorous Assurance Gateway for education and training organisations (the Register).

7.13. We have well-established and appropriate quality frameworks for the further education (FE) sector and, if required, we can develop robust and appropriate EU procurement approaches for non-education and training organisations through pre-qualification questionnaire and invitation to tender processes.

Helping you develop a local specification

7.14. Whilst LEPs understand local needs and priorities, we can assist with identifying skills needs for current and future investment plans through local data.

7.15. We will work with you to produce local specifications that reflect your identified local needs and opportunities, bringing our procurement expertise and local knowledge of other existing education and training to avoid overlap and duplication. With your authority, we will then express these priorities in an Invitation to Tender (ITT) for each LEP.

Procurement

7.16. We will assist you in procuring education and training provision. Through our service to each LEP, we will:

- appraise and evaluate bids on your behalf, using existing established selection criteria adapted to your local requirements;
- co-ordinate contract award panels for you where you will agree successful training organisations;
- issue contract award notifications to the training organisations you select from this process; and
- communicate the outcome of the process, as required.

Contracting

7.17. Once you are satisfied that the right provision has been secured, and award notifications have been issued, we will manage the contracting and contract management processes for you and the ESF Managing Authority.

7.18. We use clear and consistent processes and documents that remove ambiguity and audit risk and which meet both national and EU legislative requirements.

7.19. We will contract at appropriate geographical levels according to your need. This means that LEP-level contract schedules will remain visible to partners. On the behalf of each LEP we will:

- provide data on delivery, configured by geography;
- manage and monitor training organisation’s targets, performance, claims, assurance and risk, audit compliance, subcontractors, and organisation failure (receivership);
- manage communications to training organisations, including direct communications to senior, operational and technical managers within these training organisations; and
- manage audit with the ESF Managing Authority, ESF Audit Authority, European Commission, European Court of Auditors, and National Audit Office.

Match Funding

7.20. £170 million of match funding for ESF skills activities, sourced from within the Adult Skills Budget (ASB) has been made available to LEPs through the Single Local Growth Fund. This match funding will not be allocated to LEPs in the same way as the rest of the Single Local Growth Fund. Instead, an amount will be earmarked for each LEP broadly in proportion to the LEP’s total Structural Funds allocation. If you wish to access this match funding for skills activities, you will need to opt into the service offer set out in this prospectus.

7.21. We will provide the necessary data and evidence on match funding from the ASB that aligns with your skills priorities. This means LEPs will not have to source match funding locally.

7.22. We have in place the systems to identify, claim, monitor and assure match funding. To do this we capture the relevant data and evidence against existing publicly funded provision in the Adult Skills Budget that meets the ESF criteria, and include this in our claim to draw down the ESF funding. This will enable you to be assured that ESF funding meets the full compliance rules for the use and management of ESF programmes.

7.23. By providing the match funding, we will hold any risk in relation to the audit of the funds. Through our work with the FE sector we have evolved processes to ensure that match funding activity is fully compliant with EU regulations (including evidence at participant level) and remains so for the duration of the audit period, which can be up to nine years after the end of the programme.

Service-level agreements

7.24. Our service to you will support your strategic ownership of these funds and will provide staff and expertise to undertake the technical elements of delivering the programme. We will absorb the burden of administration and provide assurance that the programme will be managed competently.

7.25. We will agree with you a service-level agreement that sets out the terms and scope of the service we will deliver on your behalf. In this agreement, we will also clarify the responsibilities of each partner and the governance and reporting arrangements. We will also agree expected achievements.

7.26. We will not provide a prime contractor model, predetermined skills products or national activity, unless you ask us to.

7.27. The Agency has the expertise to manage a range of ESF requirements, such as: (i) cross-cutting themes; (ii) evaluation; (iii) managing State Aid Rules; (iv) publicity; (v) disseminating best practice; and (vi) consistent application of the rules.

7.28. In the service-level agreement we will also agree how your ESF funds will link with mainstream FE services such as the National Careers Service, and how we will manage core government functions such as handling; (i) official government correspondence; (ii) Freedom of Information requests; (iii) ministers' questions; and (iv) other UK and EU parliamentary questions.

7.29. We will also be able to manage the money flexibly to take account of differences in performance between training organisations, exchange rate changes between Euro and Sterling, or any movement you want to make from other priorities.

Pooling of LEP ESI Funds

7.30. While we will deliver local education and training provision in response to your local priorities, we can, if you wish, help you to identify commonalities and synergies with other LEP strategies, and then support you in procuring and contracting across these geographies or thematic areas. Operating across multiple areas could achieve more outcomes and benefits from the investment.

7.31. Our prime focus is on supporting you to deliver your skills priorities. However, because skills encompasses elements of all of the thematic objectives and related investment priorities in the *Common Strategic Framework 2014-2020*, our service offer could extend beyond pure skills delivery and include procurement and contract management, for example in relation to employability, or entrepreneurship support for small- to medium-sized enterprises (similar to the Leadership and Management Service).

Timing and Nature of Decision

7.32. We will work with you across the full duration of the European Growth Programme to achieve stability for local arrangements. For you to benefit from the service we will provide, we expect to agree full or, as a minimum, half-programme duration agreements (that is, 2014-16).

7.33. If you would like to call on this service offer, we would welcome an early indicative opt-in when you submit your draft ESIF Strategy, followed by commitment when your ESIF strategy is agreed with the Government. Following this, we will agree with you the arrangements in readiness for the point at which funds become available to spend.

7.34. We hope to discuss with you early in the development phase of your Strategy your skills priorities; how we can help you; and the likely levels of investment we could manage on your behalf. Your commitment to use our service within your strategy will then be binding.

ESI Fund Applicant, Procurement and Monitoring

7.35. We will manage the formal application to the Managing Authority for ESF and associated claims and processes.

Contact

7.36. We hope that you find our service offer compelling. If you would like any further information, or would like to discuss in principle how your LEP might want to use it, please contact Julie Hobbins, Head of Funding Operational Policy at the Skills Funding Agency on 07957 253084 or email Julie.hobbins@skillsfundingagency.bis.gov.uk.

This document/publication is also available on our website at https://www.gov.uk/government/policies/making-european-funding-work-better-for-the-uk-economy

Any enquiries regarding this publication should be sent to:

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Tel: 020 7215 5000

If you require this publication in an alternative format, email enquiries@bis.gsi.gov.uk, or call 020 7215 5000.

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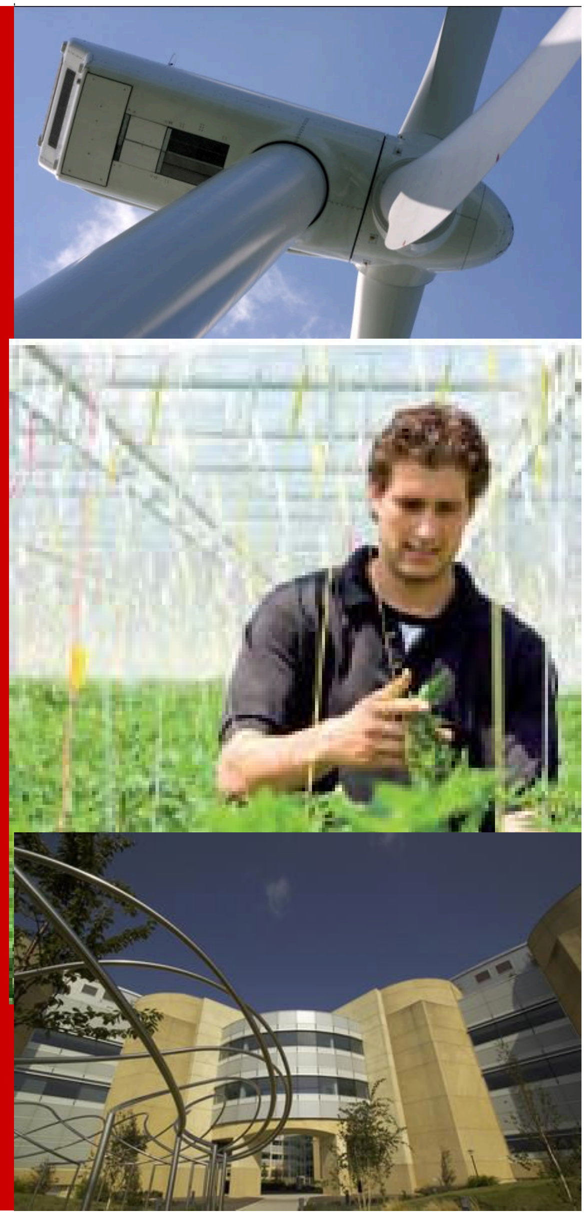
Innovation for Growth

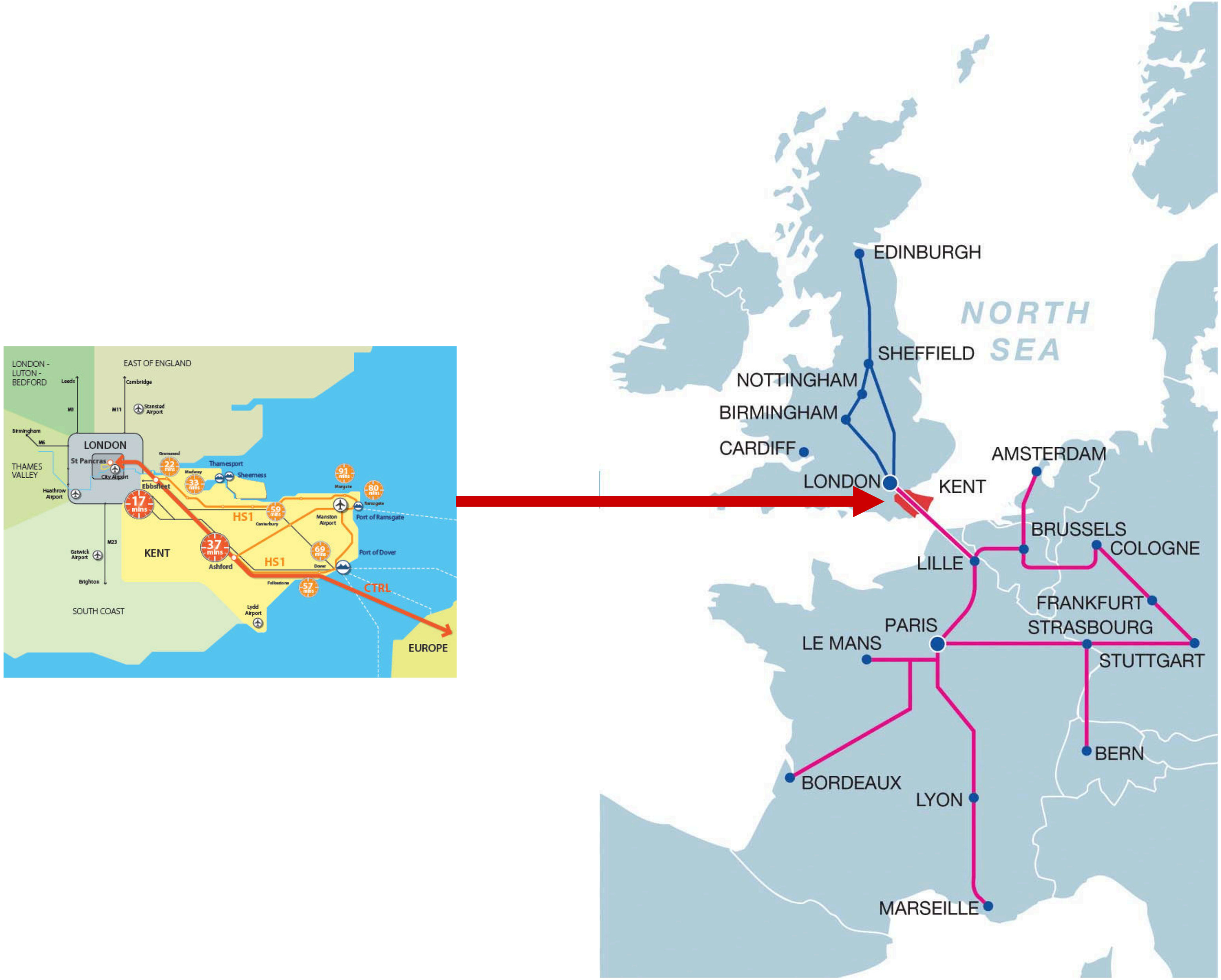
Towards a new approach to innovation in Kent

Kent's emerging approach to Smart Specialisation

January 2012



Welcome to Kent: At the heart of Northwest Europe



Overview: Towards a new approach to innovation

Opportunities	*Renewable energy and low carbon* *Life sciences* *Food production* *Creative*
Infrastructure	*Digital infrastructure* *Transport infrastructure* *Space for innovation* *Access to finance*
Skills and support	*Higher education* *Vocational skills* *Skills for business management* *Research and development*

Contents

Innovation for Growth: Towards a new approach to innovation in Kent

Innovation is crucial motor of economic growth. Today's economic outlook is challenging – but we know that the places that are able to capture and exploit new ideas will drive economic recovery and be best placed to benefit from it.

The European Union recognises the importance of innovation, pledging to invest more in research, innovation and entrepreneurship. As part of this, the EU is keen to support the development of **innovation strategies** at regional level, setting out how 'smart growth' and innovation can be unlocked. These strategies will be key in determining how European Structural Funds will be used in the future.

At the same time, there is an increasing focus in Kent on how we can maximise our innovation potential. We have significant strengths in key sectors, such as life sciences, renewable energy and the land-based economy and we are well placed between London and continental Europe. But we also face challenges in the supply of technical skills and digital connectivity which we are working hard to overcome.

So there is now an opportunity to develop a coherent approach to innovation in Kent, combining the county's natural advantages and priorities with the potential for national and European investment. Ahead of the European Regional Innovation Strategy summit in January 2012, this prospectus sets out the case for a coordinated approach to innovation in Kent, and outlines how we could move forward to create a better environment for growth.

The innovation challenge

Innovation is critical to future prosperity – and there is a key role that local and regional partnerships can play in creating the best possible environment for innovation and growth. This prospectus sets out the potential for a new strategic approach to innovation for Kent.

What is innovation – and why does it matter?

Innovation means doing things better in new ways. It might be the result of years of research – or the outcome of trial and error. It might involve the creation and exploitation of a completely new product – or it might involve new applications for existing products or services.

It isn't always easy to measure innovation. But we do know that since the 1970s, economies worldwide have become much more knowledge intensive, with growth increasingly the result of the ability to generate and apply knowledge.

This means that more has been invested in skills and development. In 1970, UK firms invested just £4 in intangible investments (such as software, R&D, marketing and training) for every £10 they invested in buildings, plant and machinery. Today, the ratio is reversed – for every £10 in buildings, plant and machinery, UK firms are investing £13 in 'intangibles'. Over the same period, the proportion of knowledge workers has doubled. The drive to innovate to increase competitiveness is inexorable.

This matters locally because those places that can develop the best environments for innovation will be best placed to benefit from future growth. So if we can increase collaboration between higher education and business, improve access to finance and premises and raise our stock of knowledge-intensive skills, the benefits will be felt throughout the economy.

Why we need a new approach

Although the shift towards increasing knowledge-based employment has taken place across the world, different places have different opportunities to take advantage of it. Not everywhere will share the same sector mix, the same initial skills endowment, the same access to markets and networks or the same anchor firms or higher education institutions. So any new approach to innovation needs to start from an understanding of local opportunities and challenges – an approach the European Union calls 'smart specialisation'. This is even more important in the current economic climate, with the associated contraction in local public sector driving a need to develop new, private sector goods and services.

So this prospectus sets out an approach for Kent based on focusing on our assets, maximising our strengths and setting out what we could do to overcome the challenges to realise our innovative potential

The innovation challenge

Kent's economy today

Kent is Britain's gateway to Europe, and Europe's gateway to Britain. The county has a pivotal position between London and the Continent, reinforced by the presence of the UK's only high speed rail link, connecting London with Brussels and Paris and the world's busiest passenger port at Dover.

Recent decades have seen the decline of some of the county's traditional extractive, mass-production and domestic tourism industries. However, this has been accompanied by rising strengths in services and higher-value manufacturing. In particular, the county has significant advantages in renewable energy, higher-value food production, life sciences and creative industries – sector strengths that will be explored in the next section of this prospectus.

Kent's population is rising rapidly, with an increase of over 9% over the past decade, ahead of the national average. In particular, the county contains nationally-significant **growth areas** at Ashford and in the Thames Gateway – both associated with high speed international rail connections and the potential for major employment expansion.

A local policy base for innovation

In 2011, the UK Government published the **Innovation and Research Strategy for Growth**. This focuses on supporting business R&D in sectors in which the UK excels, within the context of making the broader business environment conducive to innovation and growth. This approach is followed locally in Kent's **Regeneration Framework**, which sets out the county's priorities for investment in skills and infrastructure, and focuses on the broad sectors with the greatest future growth potential.

Since the Regeneration Framework was published, a series of conversations with Kent's leading and fast-growing businesses has helped identify barriers to growth and innovation. This provides a solid base of intelligence to support a future innovation strategy, and is the starting point for the focus areas set out in this prospectus.

Kent's economy: Key indicators

	Kent	UK
GVA per head	£16,454	£21,103
Unemployment rate	3.9%	3.4%
% employees in knowledge economy	15%	18.3%
% workforce qualified to NVQ4 (degree level)	33.4%	35.8%
New businesses as % of stock	11.8%	11.3%
Business survival rates (after 3 years)	65.1%	66.1%

Unlocking Kent's innovation potential

Unlocking Kent's innovation potential

To develop a new approach to innovation in Kent, the county needs to focus on its strengths and address its challenges.

What are our opportunities and challenges?

A recent UK think tank report said that successful places are those *which have developed innovation ecosystems where networks of firms, universities, government and other institutions come together to develop new products and services".* (Work Foundation, 2011)

Taking this as a starting point, what are the key opportunities and challenges that Kent faces in expanding our innovation potential?

Opportunities

Emerging growth **sector strengths** in renewable energy and low carbon technology, life sciences, food production and creative industries

Strong links to **concentrations of innovation** – especially London (just 17 minutes from North Kent by high-speed rail)

Excellent **international connections** – 1 hour to the main London airports, and direct international rail links

Strong **university** presence, with four universities based at Canterbury and three at Medway and good industry-university links

High quality **space for R&D and innovation**, including one of Europe's largest scientific research park and extensive employment land and the UK's only horticultural R&D centre

Improving **business support networks** focused on innovation and growth

Growing **entrepreneurial culture** and good business start-up rates

Universal **superfast broadband** within the next three years

Challenges

Limited **access to finance** to support innovation – especially since the 2008 crisis

Skills shortages in key specialist and technical areas

Loss of some **anchor employers** at the core of the local innovation system – such as the significant contraction of Pfizer's presence at the Sandwich R&D facility

Dispersed **geography** – no single urban centre of innovative activity

Towards a strategic focus

Based on this brief analysis of the county's key opportunities and challenges, there are **three key areas** on which an innovation strategy for Kent could focus:

1. Innovation opportunities for growth
Opportunities to support the growth potential of our key sector strengths.

2. Innovation infrastructure for growth
Maximising our advantages as Britain's gateway county and overcoming the innovation challenges presented by limited digital connectivity

3. Innovation skills for growth
Making the most of our research and higher education potential and addressing the technical skills challenges that hold back innovation.

Theme 1: Innovation opportunities for growth

There are opportunities for innovation in *every* sector of the economy. However, a 'smart specialisation' approach is about identifying where Kent has a comparative advantage: where the prospects for growth are unique and where the long term benefits for the Kent economy are greatest.

Why focus on sectors?

Although innovation can happen in any sector, some sectors are more innovation intensive – with greater concentrations of knowledge-intensive employment - than others, and the added value generated by an expansion of knowledge-intensive activity can spill over into the wider local economy.

Our focus is on those areas of the economy which have high potential for increasing knowledge-intensive employment and in which Kent has distinct advantages on which it can capitalise.

Although further work needs to be done to determine the specific sectoral focus of a future Kent strategy, our initial analysis points to **four key sector groups** in which Kent has clear opportunities for growth.

Renewables and low carbon goods and services

The global market for low carbon goods and services is expanding rapidly, and strong growth within the sector is forecast over the next few years. Already, the UK is the world's sixth largest producer of low carbon goods and services, and the sector employs around 17.500 people in Kent.

Particular opportunities in Kent include:

Unlocking Kent's innovation potential

Offshore renewable energy: New offshore wind farms within 200 miles of the Kent coast will offer over 13,000MW of generating capacity, putting Kent at the heart of one of Europe's most important locations for offshore renewables.

Already, the county is a major centre for operations and maintenance. However, with proposals by Vestas to develop a major high-value manufacturing facility on the North Kent coast, there is an opportunity to develop the local supply chain to support the development of the world's largest wind turbines – with huge R&D input.

Energy efficiency: As the costs of carbon rise, the market for new technologies and techniques to reduce consumption is growing. Kent is well placed to take advantage of this in two ways:

Firstly, with some of the UK's most ambitious plans for urban development in the Thames Gateway and at Ashford, Kent has great potential for piloting innovation **in new building techniques** and less carbon-intensive forms of service delivery. SusCon, a new centre of excellence in building technologies, has already opened at Dartford, demonstrating new approaches and providing skills training to support the delivery of over 50,000 new homes in North Kent over the next twenty years.

Secondly, good transport connections, easy access to the high-value South East market and a strong presence in the wider environmental sector, Kent is an important location for resource efficient consultancy and R&D.

Case study: Ecologia

Based at Kent Science Park near Sittingbourne in North Kent, Ecologia is a rapidly growing environmental consultancy and contractor. The company provides high quality site investigation and remediation through an in-house team of scientists, engineers, chemists and geologists.

Demonstrating the potential to grow through innovative solutions to rising environmental costs, Ecologia has expanded from its Kent base and now operates throughout the UK as well as in Italy and Ireland.

www.ecologia-environmental.com

By providing a supportive skills and planning environment for the renewables industry and by raising demand for low carbon goods and services, Kent can build on its real potential in this growing sector

Product of innovation: Wind turbine manufacturing

Life sciences

Kent has had a strength in pharmaceuticals and life sciences for many years. But with massive changes in the global structure of the industry, the county is having to adapt to an innovation-intensive future.

In recent years, two of Kent's major pharmaceuticals manufacturing plants have closed, and in 2011, Pfizer announced that it was exiting its world-class R&D facility at Sandwich.

However, Kent still has a huge advantage in the continued presence of a highly-skilled, high-value scientific workforce. At Sandwich, over 700 jobs are being retained in R&D in diverse range of R&D companies – with individual entrepreneurs driving innovation in place of the old 'big pharma' model. The site has already been designated an **Enterprise Zone** with additional freedoms and tax incentives to support business growth

This reflects the transition experienced in other places with major pharmaceutical sectors, such as Michigan and New Jersey, and demonstrates Kent's continuing ability to retain skilled staff and grow new companies.

With an opportunity to build on the legacy of pharmaceutical investment and grow new business and ideas, Kent County Council is already investing in grants to business and early-stage support to promote and develop the sector.

Unlocking Kent's innovation potential

Food production

Kent's food sector is worth around £2.6 billion, and the county contains some of the UK's most productive horticultural industry.

Innovation is central to the sector's success, with an increasing need to develop new solutions to water scarcity and competition and demand driving a search for new crop varieties.

Kent already has a centre of excellence in crop research at East Malling Research Centre – the only one of its type in the UK - which has plans to expand its activities, and a number of businesses are at the forefront of raising productivity. The county also benefits from strong networks within the land-based sector, linking research and agricultural production.

Creative industry

The creative industries are inherently innovative and new channels of communication have led to the emergence of products and markets that a few years ago just didn't exist.

Creative and media industries tend to cluster in metropolitan areas. But Kent has a different offer with potential to grow. Businesses in the sector have told us that what they value about Kent is its proximity to the London airports and international rail routes combined with its high quality natural environment – space to develop new ideas, combined with access to global networks.

Employment in the creative industries has doubled in Kent in the past decade, with over 35% of creative employment – and the fastest rise – in the computer games and software design sub-sector.

Kent also benefits from the University of the Creative Arts, with three campuses around the county, supporting access to a skilled future workforce.

An innovative public sector

The public sector can also drive innovation. Kent has a long history of innovation in new service provision to drive new markets and in engaging with transnational programmes to unlock growth

Theme 2: Innovation infrastructure for growth

As well as focusing on key innovative sector groups, an innovation strategy for Kent also needs to concentrate on the infrastructure that the county needs to support their growth.

Communications infrastructure

Positively, Kent is unique in the UK in having an international rail connection, and easy access to continental Europe is one of the county's defining features. Transport infrastructure has also improved in recent years, with major road improvements and the introduction of high-speed rail services to London. All this is important in increasing the county's attractiveness to high-value business.

However, significant shortfalls remain in our **digital infrastructure** which present a brake on Kent's innovative potential. Much of rural Kent lacks fast broadband access – a particular constraint on the county's key land-based and creative sectors and on the often highly creative and innovative businesses based in rural areas.

With UK Government support, Kent is about to embark on a £43 million programme to provide superfast broadband to those parts of the county to which the market will not deliver – and ensuring the success of this will be a cornerstone of our innovation strategy.

Space for innovation

Innovation can take place anywhere – but evidence shows that where there is greater potential for collaboration, there are more opportunities to exploit new ideas.

As a diverse county, with many medium-sized towns and cities and a large rural area but no single metropolitan centre, it is even more important that our approach to innovation incorporates physical space for collaboration.

Innovation centres already exist at Medway, Dartford and Canterbury, with a specialist facility for creative businesses at Chatham. However, Kent County Council has plans to expand the range of facilities across the county..

Access to finance

Following the credit crunch of 2008, access to finance to support innovation remains a critical issue. Public sector financial support can never substitute for the commercial market, but through the **Expansion East Kent** scheme, R&D and investment aid will help unlock bank lending and venture capital investment over the coming years.

Theme 3: Innovation skills for growth

Kent needs to support an innovative workforce – through university and technical skills and in business management

Higher education

With four universities concentrated at Canterbury and Medway, Kent's higher education provision is a strength. The role of Kent's universities in commercialising research and developing spin-outs is also important – at the University of Kent for example, support is offered in accommodating new businesses and brokering commercial opportunities. However, more could be done to link university support for innovation across the county and integrate it will financial and other support provided by national Government, such as that offered via the Technology Strategy Board.

Vocational skills

The UK has historically tended to lag behind many competitors in the quality and commercial relevance of vocational skills provision. Research suggests that this hampers innovation: fewer people with high-level technical skills can drive forward process innovations, and weaknesses in skills for manufacturing, engineering and science have driven the exploitation of many British inventions elsewhere.

If we are to make the most of our potential in the key sector areas highlighted earlier, we need to improve our technical skill levels. Industry has raised this locally with, for example

the creative sector demanding higher-level technical computer programming skills. Building on excellent existing practice in delivering a much better technical offer for the offshore wind sector, a key aspect of our innovation strategy will be supporting the workforce needed to deliver tomorrow's new ideas.

Skills for business

Not all good ideas become good products – but bringing knowledge to the market demands strong business skills. In Kent, investment in the High Growth Kent team is providing business mentoring and coaching for firms with the potential to expand, including new businesses and established companies. Integrating this with access to finance (as highlighted on the previous page) and national and sector-specific support products could be a key focus of a Kent innovation strategy.

Moving forward

Towards a smart specialisation strategy

This document sets out an overview of a potential new approach to innovation in Kent, consistent with the county's economic development priorities and the concept of 'smart specialisation' set out in the European Union's Regional Innovation Strategy guidance.

Over the coming months, Kent County Council will be exploring the potential for developing this approach with:

Businesses in Kent via the Kent Chambers of Commerce, Kent Business Advisory Board (a panel of leading businesses from across the county established to inform economic strategy) and local business consortia.

Business support agencies, in particular the High Growth Kent service funded by Kent County Council to support businesses with significant potential to grow.

Sector-specific business development groups where these are relevant to our emerging priority sectors. In particular, we will engage with Kent Rural Board (the strategic body for the land-based sector), the Kent Offshore Renewables Working Group, Creative Kent and the life sciences cluster at Discovery Park and Kent Science Park.

Higher education, building on the strengths of the county's four universities

Government at national and local level – working with the twelve Kent District councils within the county, and linking with the Department for Business, Innovation and Skills and Department for the Environment, Food and Rural Affairs at national level.

In taking this work forward, we will examine the potential for a new approach to innovation to unlock public and private investment and build on the focused approach we are developing.

More information

For more information on Kent's approach to innovation and our links with the European RIS3 process, contact:

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January 2012

South East
Local Enterprise Partnership

South East LEP

European Structural and Investment Fund Strategy (EU SIF)

Executive Summary

Introduction to the strategy

The area covered by the South East LEP

Essex & Southend & Thurrock; Kent & Medway; and East Sussex

South East
Local Enterprise Partnership

Extending our ambition

Welcome from the Chairman

The South East is the most exciting place to do business in the UK. Our connections to the global city of London and the markets of Europe are unparalleled, while our advanced manufacturing, logistics and low carbon sectors (amongst many others) are world class.

In the Thames Gateway we are the home to Europe's largest regeneration area, while our resurgent coastal towns and working countryside play host to a growing number of dynamic and entrepreneurial new firms. The South East is the place to do business.

The South East Local Enterprise Partnership is Britain's largest and we have an ambition to match. Our Structural and Investment Fund proposals launched today are just the start.

Our federal operation, built on local areas developing major proposals to drive local growth through their local business/council partnerships and using the scale of the LEP to join and strengthen schemes through collaboration, offers a unique and proven local development and delivery model.

We wish to work with our universities and colleges, supporting the technologies and businesses of the future, capturing local intellectual capital, facilitating technology transfer and providing the very best facilities and support for new spin-out businesses.

And to maximise public investment and lever in new private sector funds to enable growth, we have identified a major opportunity to extend our reach and ambition through the development of an Urban Development Fund.

Through our European Structural and Investment Fund Strategy, our developing Growth Deal with Government and through wider public sector spending, private investment and match finance we aim to inject a minimum of £5 billion of new investment to boost the economies of Essex, Southend and Thurrock, of East Sussex, and of Kent and Medway, over the rest of this decade.

This first draft of the SELEP European Structural and Investment Fund Strategy demonstrates the wide-ranging consultation and work that has already taken place.

We now wish to work with you to deliver the most compelling EU strategy for the most exciting place in Britain to do business.

Yours sincerely
Peter Jones, CBE
Chairman, SE LEP

Building on a firm evidence base

This draft strategy was produced in accordance with the Government Guidance to Local Enterprise Partnerships (LEPs). It will form part of the wider economic growth strategy for the LEP, and will act in support of the SE LEP Strategic Economic Plan. It has been developed with a broad range of partners across the SELEP area including local businesses, local authorities, education institutions, the voluntary and community sectors and other stakeholders.

An area with scale…

The SE LEP area is a major regional economy with almost 4 million residents – equal to 7.5% of England's population and is the second most populous LEP. We are extending our growth ambitions to match our size, and through the coming years we will make a major and increasing contribution to the country's growth. We are the gateway to mainland Europe, with 8 ports including the London Gateway, with the largest logistics park in Europe, and a number of airports with potential for passenger and air freight growth. Our location and enterprising business base provides enormous potential to increase our connections with, and exports to Europe and across the globe.

Close to the world city of London…

Our economy is closely integrated with the London economy. Our residents make a major contribution through commuting to London's jobs, and our companies provide goods and services to support London's growth. The SELEP also contains the Thames Gateway – still the location for the most significant growth in the South East of England.

Strong in innovation…

We have a strong innovation culture and we have a number of sectors within the economy with high growth potential, and which fit closely with the National Industrial Strategy. These are advanced manufacturing, port and logistics, low carbon and environmental technologies, and life science/med tech. We aim to build on these further.
Nine universities, with strong research specialisms, are represented in the SE LEP area. We have long history and significant experience of supporting research centres linking businesses with Higher Education – Discovery Park and the East Malling Research Centre are two examples.

Skills levels are rising…

SELEP resident qualification levels are rising, but we need to increase skill levels further, and ensure that people are being trained in the areas that employers need. This means those in work as well as those out of work and seeking employment. At the same time, there are too many young people not in education, employment or training, and youth unemployment is high. We want to work with universities, colleges and businesses to drive up skills and productivity, particularly in our priority sectors.

Major EU funding available to boost growth and jobs…

From summer 2014 -2020 partners within SE LEP will have access to an indicative allocation of approximately £165 million of EU funds. A 50: 50 split, which we propose will provide £82.5 million of European Regional Development Funds (ERDF) and £82.5 million of European Social Fund (ESF). These funds are for growth, jobs and inclusion. An indicative annual profile means that between £20 - £27 million per annum will be available for investment in the SE LEP area.

This funding is required by the Government to be spent on focused and targeted activity. It provides an opportunity for the SE LEP to implement a wide range of key initiatives in support of our ambitions, promoting smart, sustainable and inclusive growth.

Our emerging themes

Welcoming the opportunity provided through the availability of EU funds to support new business and jobs, we will build on the evidence base and the South East's distinctive strengths to tackle the barriers to growth. Responding to the strengths, weaknesses, opportunities and threats of the SELEP area (page 19 draft SIF document), we will achieve this by:

- **Boosting innovation** by taking advantage of our HE institutional strengths, our culture of innovation and the opportunity to develop a new comprehensive and integrated support framework for innovation through Gateways to Growth;
- Enhancing **support for commercialisation** through improved access to research institutions and support;
- **Supporting our priority sectors and growth and innovation** across our business community through networked and tailored programmes;
- **Ensuring that business infrastructure is in place** - particularly finance and property;
- Providing **support to grow the low carbon economy** and reduce CO2 emissions through reducing energy consumption and waste;
- **Supporting young people in the transition from school** to further and higher education and work;
- **Providing a major boost to skills provision in higher level skills for priority sectors,** including training and retraining the workforce in skills needed by employers at all levels, including SME leadership and management skills;
- **Working with employers to support recruitment,** provision of work placements of all types and helping to integrate new staff into the workforce;
- **Supporting people with specific and multiple barriers** to employment;
- **Geographical targeting of additional support** for local communities, including the potential for Community Led Local Development and small community grants to enable local responses to community need; and,
- **Linking businesses to education and training providers** to enable the skills system to better respond to economic need.

These themes are reflected in our draft European Structural and Investment Fund Strategy and will be further developed and incorporated in the SELEP Growth Deal with Government.

Our EU Growth Programme Priorities

Our principal priorities for the EU-funded programme are to strengthen research, technological development and innovation, enhance the competitiveness of SMEs and raise skills to support business growth. Innovation is a central theme, which will provide a golden thread throughout the programme.

At this stage, we are required to indicate the breakdown of funding across EU fund objectives within the major ERDF and ESF funds which will be administered in future by the UK Government. The proposed breakdown set out below is indicative only and can be changed. It also includes reference to the emerging proposal for an Urban Development Fund (see below).
The initial proposed allocation of funds to thematic priorities is as follows:

Objective / Priority by fund	
Strategy group recommendation	
ERDF	**£82,500,000**
Innovation	£28,875,000 (35%)
SME Competitiveness	£37,125,000 (45%)
Low Carbon	£16,500,000 (20%)
ESF	**£82,500,000**
Employment / Labour mobility: Access to employment	£24,750,000 (30%)
Employment / Labour mobility: Sustainable integration of young people	
Education, skills & lifelong learning	£41,250,000 (50%)
Social inclusion: active inclusion	£16,500,000 (20%)

The selection of strategic activities under the headings set out above resulted from the range of evidence provided by local area stakeholders.

APPLYING THE PRIORITIES

Through this process we identified strategic activities with the potential for funding through ERDF and ESF in accordance with the emerging priorities for the LEP. The proposed focus for interventions and an initial proposed allocation of funding is indicated below:

LEP activities/interventions	ERDF	ESF	Total
*Gateways to growth (opt-ins)	£19,000,000		£19,000,000
*Spin-outs and commercialisation	£7,000,000		£7,000,000
*Targeted support for SMEs (including training, access to finance, export, supply chain development, investment readiness, HE-SME collaboration, networks and specific support for priority sectors.	£16,390,000	£2,000,000	£18,390,000
Commercial property development fund (JESSICA)	£7,000,000		£7,000,000
*Access to finance (FI)	£9,000,000		£9,000,000

**** Please note that the proposed Urban Development Fund pot could be drawn from all starred ERDF intervention allocations and added to the £7 million currently indicated for the Commercial property development fund. See below**.*

LEP partners are keen to pursue discussions with the opt-in agencies over the coming months to identify the potential for joint work and to ensure that the programmes fit closely with the priorities of the SELEP Strategic Economic Plan.

It should be noted that for the purposes of the draft submission, allocations have been made in support of opt-ins with MAS, Growth Accelerator, UKTI, SFA, DWP, and BIG Lottery.

Allocations have also been made to financial instruments – Access to Finance, Social Housing Retrofit and an Urban Development/JESSICA fund to support redundant commercial property being brought back into use.

While there is some interest in pursuing all of these opportunities for the time being, it is unlikely that they will all follow through into our final EU SIF strategy.

SOUTH EAST URBAN DEVELOPMENT FUND

In discussing and approving the first draft EU Structural and Investment Fund Strategy on 4th October, SELEP Board members reiterated the scale of their ambition to increase economic growth in the South East.

In doing so, it identified a major opportunity to extend reach and ambition through the development of an Urban Development Fund. This fund would significantly increase funding available and add much greater flexibility, through the proposed use of the JESSICA (Joint European Support for Sustainable Development in City Areas) mechanism to accelerate investment in urban areas.

In developing this proposal in the coming weeks, a pipeline of schemes will be considered with the potential to allocate a significant proportion of up to £50 million of ERDF which, together with European Investment Bank and other match funding, could grow the total value of the scheme to £1/2 billion.

ON-GOING DEVELOPMENT OF THE SIF

Between now and the 31st January 2014, the SE LEP partnership will continue to develop and shape the SIF ready for final submission to BIS.

The timetable of activity can be seen below:

- 7th October -Draft submission submitted to BIS
- 16th October - Launch of SIF
- 11th – 23rd November-Local information events – managed and run locally by local area Business/Council partnerships
- 13th December -Board approval of final SIF, subject to final amendments
- 31st January - Final submission of SIF

CONTACT THE SOUTH EAST LOCAL ENTERPRISE PARTNERSHIP

Email: lep@essex.gov.uk ¦ Website: www.southeastlep.com ¦ Tweet us: @southeastlep #SELEPFunding

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Kent's European Relationship Select Committee – 14th January, 10.00 a.m.

Biographical Information: Steve Samson

Steve Samson is Trade Development Manager within Kent County Council's Economic Development team. The role aims to develop ways to encourage more Kent companies to consider exporting as a way of growing their business.

After graduating with a degree in modern languages (Spanish & French), Steve spent a year working in the private sector in the travel industry in a commercial role which involved liaising with international suppliers. Since joining Kent County Council in 2002, he has held a number of different posts over the last 10 years focusing primarily on European co-operation within the International Affairs team. This has included supporting a variety of Kent-based organisations to secure over £25m EU grants from the Interreg and other EU programmes and working on KCC's strategic international partnerships.

From 2009, his focus has shifted to international trade promotion and he is currently co-ordinating the Kent International Business (KIB) partnership and programme as well as, for example, managing a €1.4m EU funded project called 2 Seas Trade which aims to support trade relations between Kent, Flanders (Belgium) and the Netherlands.

Suggested Themes for Member's Questions

1. EU projects:

    - The involvement across KCC in EU funded projects and securing funding to support core activities – issues, opportunities (e.g. Thematic funding) and risks.
    - The availability of (EU) funding expertise and advice – ensuring criteria are met and the risks of not doing so
    - Maximising opportunities in the EU next funding round – resource issues and where the focus should be.

2. Trade Development

    - Support for SMEs in Kent: Kent International Business
    - The 2 Seas Trade Project

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The autumn has been a busy time for both the 2 Seas Trade project and Kent International Business with a range of activities taking place to help Kent companies in their export activities. The below highlights some of the activities which we have organised over the last few weeks:

19 Nov, 2 Seas Trade Project Day Trip to HORECA Trade Fair, Ghent, Belgium

We took 15 Kent businesses by coach to this event in Belgium which focuses on the supply sector for the hospitality & catering industry. The day enabled Kent firms to research the Belgian market and meet potential business contacts. One Kent drinks producer secured an order at the event for 80 cases of his product from a Belgian importer as a result of a connection brokered by a KCC officer.

11 Nov, Exporting for Growth Event (KIB with UKTI), Maidstone

UKTI worked with KCC, HSBC and the IOD to organise the biggest "National Export Week" in the SE. Over **150 participants** (including a very high % of 'real companies') attended this morning seminar to find out more about the benefits of exporting and the range of trade support services available in Kent. Speakers included broadcaster Declan Curry, HSBC Chief Economist Mark Berisford-Smith and Guy Whitehead from Armourcoat in Sevenoaks. Three successful workshops were run on the subjects of international website optimisation, international trade finance and market selection.

6-7 Nov, Visit to AquaTech Trade Fair, Amsterdam

Through the EU funded 2 Seas Trade project, we took a delegation of **8 Kent companies** to visit Aquatech – a trade fair focusing on water treatment & management. As part of the visit, the businesses were able to participate in pre-arranged appointments as part of an EEN B2B Matchmaking event. Companies found the visit extremely useful e.g.

One Kent company identified a potential new distributor in the Netherlands, another identified a range of technology transfer leads and another identified a range of potential new overseas clients.

31 Oct, "How Companies can (and do) sell services to France" Event, (Ashford)

This joint '2 Seas Trade' & 'Kent Export Club' event focused on how business & professional service companies from Kent can start doing business in the French market. **12 Kent companies** heard from specialists in the French market about how to deal with the business culture and enter the market.

24 Oct, Doing Business in the Netherlands (Manston)

33 Kent firms attended this joint event with UKTI, Manston, KLM and 2 Seas Trade to promote business opportunities in the Dutch market. The event provided useful information about key opportunities for different sectors in the Netherlands. As a result of the event, one Kent firm is now in discussion with potential customers in the Netherlands and Denmark.

3 Oct, Innovation for Independent Living Conference, Discovery Park

This conference was an opportunity for firms from Kent, Belgium and the Netherlands to find out more about opportunities in the health and social care sectors in the different markets and to network with companies from the partner regions**. 44 businesses took part**.

One Kent firm said *"Part of our overall market research and ideas towards developing new software innovations"*

20-22 Sep, Regional Produce Show in Ghent

The 2 Seas Trade project took **4 Kent food & drink producers** (Quex Foods, Cheesemakers fo Canterbury, Rough Old Wife Cider and Fudge Kitchen) to this consumer show in Belgium to enable them to test the market for their products. Companies found the experience very useful in determining which of their products worked well for the Belgian consumer market.

"I think there is definitely a market in Belgium for our products"

17 Sep, French-UK Networking Event (multi-sector)

The 2 Seas Trade project took **27 Kent companies** from various sectors to meet with a similar number businesses in Nord-Pas de Calais to make contacts and find out more about opportunities in the French market.

"…it was an interesting experience which definitely helped me understand French business a little more and make some new contacts"

2 SEAS TRADE

2 Mers Seas Zeeën

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(European Regional Development Fund)

KENT International Business

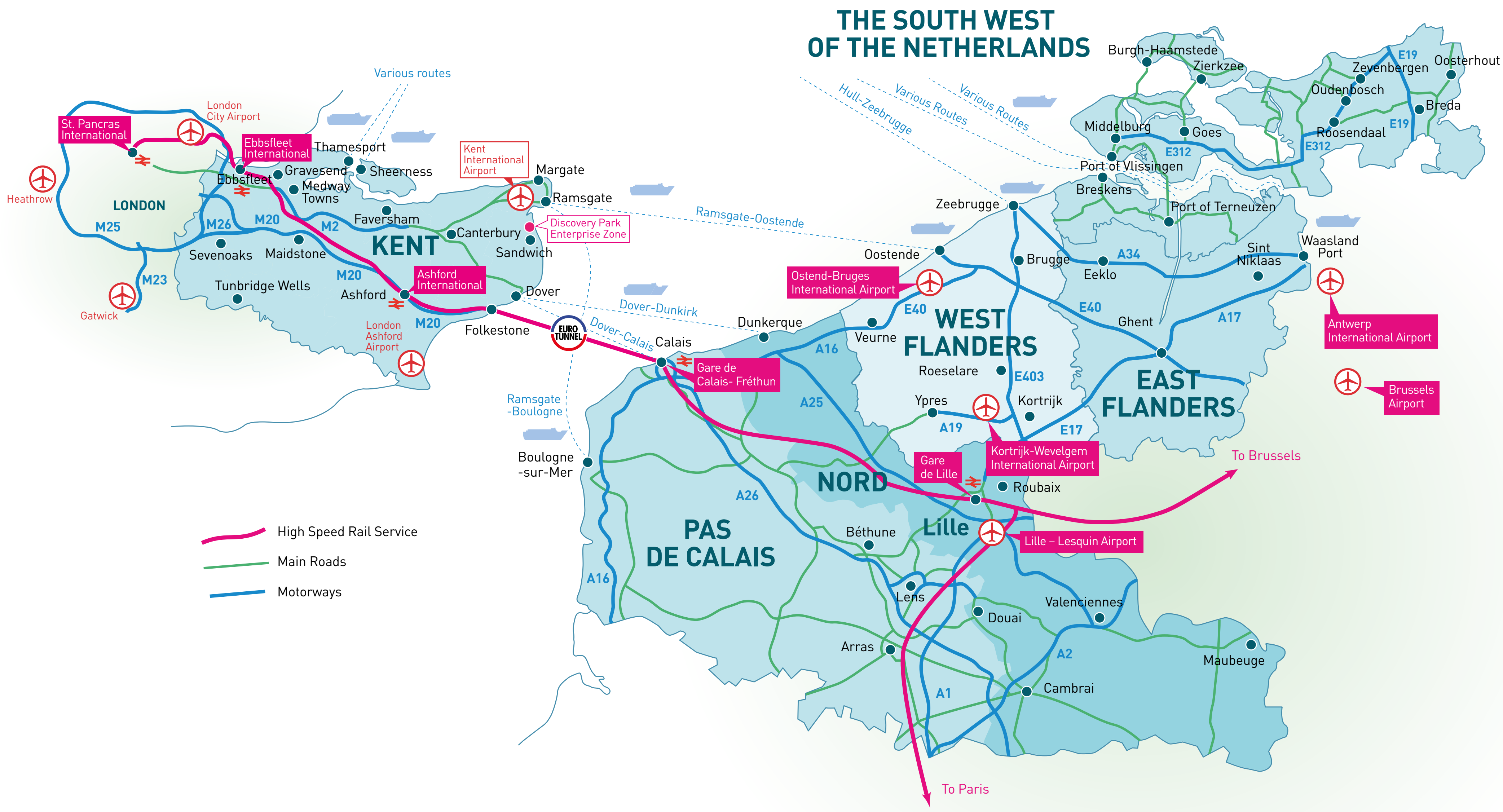
Kent County Council
kent.gov.uk

2 Seas Trade Region – A Great Place to do Business

The 2 Seas Trade region includes the County of Kent (England), the Provinces of East and West Flanders (Belgium) and the South West of the Netherlands. The region also has close links with Nord-Pas de Calais (France).







The 2 Seas Trade region:

- Is at the heart of Western Europe
- Has access to a potential consumer base of 500 million people within a 300km radius
- Is within easy reach of several major cities including London, Paris, Brussels and Amsterdam
- Is home to over 414,000 businesses
- Is home to a significant number of large international companies including:
  - Saga, Kimberly-Clark & BAE Systems
  - Dow, Total, Eastman, Lamb Weston & McCain,
  - Neckermann, Thermphos & Elo Pak
  - CRC Industries Europe, Ranbaxy, NYK, WWL & Bayer CropScience

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A Connected Region:

- High Speed rails links connect the different parts of the 2 Seas region as well as neighbouring capital cities
- The region is home to 13 ports including Zeebrugge, Ostend, Ghent, Zeeland Seaports, Dover and Calais
- The Channel Tunnel situated within the region provides a physical link between the UK and mainland Europe
- A efficient motorway network also ensures rapid journey times between areas of the 2 Seas Trade region
- Several provincial or local airports connect the region with the rest of the world
- The region is therefore a major international logistics and distribution hub for the rest of Europe and beyond

A Dynamic Region:

- The region is home to more than 15 research and higher education institutes
- There are a large number of research & innovation clusters on a range of themes including horticulture, logistics, life sciences & biotechnology
- A skilled, multilingual workforce

A Diverse Business Region:

- New developments in bio and environmental technologies are providing many new opportunities and areas of growth for the region
- Whilst most industrial sectors are represented within the region the following are specialist areas where there are significant trade and business opportunities:
  - Life Sciences
  - Environment Technologies
  - Logistics and Distribution
  - Agri-Food
  - Renewable Energy
  - Tourism

A Favourable Business Environment:

- The region can offer a range of good value, high quality commercial properties ranging from incubation units for start-ups to much larger properties for large firms.
- The 2 Seas Trade region is home to various enterprise zones and business clusters
- The region offers a favourable tax environment and a range of business support services and 'soft landings' support

About the Region

Kent

Positioned between the markets of London and Europe, Kent is the closest UK location to continental Europe, offering access to over 530 million consumers within a 24 hour drive. The region offers great value housing, good schools, four universities, a wealth of culture and history and thriving communities with parks and open spaces.

Kent is a commercial business hub with high-speed rail links to the UK capital and the continent. Rail links enable easy travel to London St. Pancras in 17 minutes from Ebbsfleet International and 37 minutes from Ashford International, or to Brussels, Lille or Paris in less than two hours. Office costs are up to 60% lower and operational costs around 35-65% less than London.

The South West of the Netherlands

The South West of the Netherlands (Western Brabant and Zeeland) is a region of great potential. Over 100,000 companies are situated in this region, thanks partly to its strategic location. The large ports of Rotterdam and Antwerp are only 40 minutes away while Amsterdam and Brussels airports can be reached within an hour.

Furthermore, the South West of the Netherlands is easily accessible from the major economic areas of Antwerp and Zeebrugge in Belgium and the German Ruhr area.

Some 300 million consumers live within a range of 500 km. The South West of the Netherlands is home to over a million inhabitants. Important cities within the region are Breda, Roosendaal, Bergen op Zoom, Middelburg, Vlissingen and Terneuzen.

East Flanders

Flanders is the northern part of Belgium. Institutionally it is the federal state of Belgium that contains the Dutch-speaking population. Flanders has over 6 million inhabitants, who make up around 58% of the Belgian population. They live in an area covering 40% of the Belgian national territory.

East Flanders is one of the five provinces of Flanders, one of the three regions of Belgium. It has an area of 2.982 km^2, and is home to 1.4 million people. The capital, Ghent, is the largest city in the province and has over 237,000 inhabitants.

East Flanders has two sea ports: the port of Ghent and the Waaslandhaven, which is the growth zone of the port of Antwerp. The Ghent-Terneuzen canal connects the port of Ghent with the Westerschelde and the North Sea. Various domestic and international inland waterway connections are accessible via the River Schelde, the River Leie and the Ringvaart.

West Flanders

The Province of West-Flanders is Belgium's most western province and is a very enterprising region. Bordering the North Sea coast, West Flanders offers a prime location with plenty of business opportunities and excellent supporting infrastructure. It has an area of 3 144 km2 and is home to 1.2 million people. Bruges is the capital of the Province and its city center is recognised as a world heritage site by Unesco.

In the north of the province, most industry is concentrated in and around the cities of Bruges and Ostend. Both cities also have important seaports: the port of Bruges-Zeebrugge and the port of Ostend. The logistics, metallurgy & energy sectors are dominant within the region and the middle of the province is home to an internationally competitive agro-food industry. The south is well known for its textile and design industry which is renowned for its focus on innovation.

Tourism is also an important industry in West Flanders, attractions include the Belgian coast, the historic centre of Bruges, 'Flanders Fields' and the World War I battlefields around Ypres.

Nord-Pas de Calais

Nord-Pas de Calais shares a maritime border with Kent in the UK and a land border with Flanders, Belgium. The region has a range of excellent transport links and is home to a population of approximately 4 million. The region combines the "Départements" of Nord and Pas de Calais and is ideally situated in the 'heart of Europe' between London, Paris and Brussels.

The region is host to three significant seaports; Dunkerque, Calais and Boulogne-sur-Mer. Dunkerque and Calais are some of France's major freight ports. Boulogne-sur-Mer acts as a hub for fisheries and is a centre for seafood and distribution.

Nord-Pas de Calais has built on its rich industrial and mining heritage to become a dynamic region for modern business with key strengths in automotive manufacturing and high tech industries.

The 2 Seas Trade Project

The 2 Seas Trade (2ST) project is part financed by the EU funded Interreg IVA 2 Seas Programme. 2ST aims to encourage and support SMEs in Kent (England), East and West Flanders (Belgium), The South West of the Netherlands and Nord-Pas de Calais (France) to trade within these partner regions. It also aims to attract business to the wider region as a whole.

For more information about the region and project visit:

www.2seastrade.eu

Key contacts, links and support services

- **Locate in Kent**
  Kent's investment promotion agency can provide free advice to overseas companies on business relocations, commercial property, supply chains and doing business in Kent.

  Email: enquiries@locateinkent.com
  Telephone: +44 (0)1732 520700
  Web: www.locateinkent.com

- **High Growth Kent**
  High Growth Kent offers guidance, coaching and mentoring to help ensure that growth potential is realised within a company.

  Email: info@enterpriseeurope-se.eu
  Telephone: +44 (0)844 725 2244
  Web: www.highgrowthkent.co.uk

- **Chamber of Commerce for the SW of the Netherlands**
  The Chamber of Commerce provides a range of support services to businesses including start-ups.

  Email: zuidwest@kvk.nl
  Telephone: + 31 (0)76 564 68 00
  Web: www.kvk.nl

- **VOKA-Chamber of Commerce West Flanders** a networking organisation with more than 3,600 business members. Its focus is lobbying, networking, consulting and providing advice and information. The international department encourages international trade among members through seminars, events, business clubs, 'lunch and learn' events and business missions etc.

  Email: info.wvl@voka.be
  Telephone: +32 (0)56 23 50 51
  Website: www.voka.be/west-vlaanderen

- **VOKA-Chamber of Commerce East Flanders** facilitates economic activity and aims to create an optimal framework for successful business. This is underpinned by supporting the economic development of the region through lobbying, networking and offering specific services to businesses. VOKA East Flanders has 3,000 members including Volvo, Honda and Arcelor Mittal.

  Email: info.ovl@voka.be
  Telephone: +32 (0)9 266 14 40
  Website: www.voka.be/oost-vlaanderen

Kent International Business

Helping Kent businesses ‘go global’

The KIB Programme received a “Highly Commended” in the 2013 Enterprising Britain Awards.

@Kent_int_biz

www.kentinternationalbusiness.co.uk

Kent County Council kent.gov.uk

KENT International Business

Why did we set up KIB?

- **International Trade can help Businesses Grow**

"Firms new to exporting on average experience a 34% increase in productivity in the first year, and are 11% more likely to survive" (UKTI)

- **Only 8% of Kent firms regularly export despite Kent's location - lower than SE average**

(Kent International Business Study May 2010)

- **Confusion in support landscape;**
  - *"who can help my business?"*

- **International Trade can be daunting: barriers**

www.kentinternationalbusiness.co.uk

Kent County Council kent.gov.uk

KIB Aims & Objectives

- **To raise awareness of the benefits of international trade (for the local economy)**
- **To boost Kent's export levels and promote business growth**
- **To ensure that the trade support services in Kent are more coherent, joined-up & visible**
- **To provide relevant support to Kent companies for international trade through the KIB partnership**

www.kentinternationalbusiness.co.uk

KENT International Business

The Benefits of Exporting

Exporting can allow companies to:

1. Achieve levels of growth not possible domestically.
2. Increase the resilience of revenues and profits.
3. Spread business risk.
4. Achieve economies of scale not possible domestically.
5. Increase the commercial lifespan of products and services.
6. Increase the returns on investment in R&D.
7. Improve financial performance.
8. Improve productivity.
9. Boost their profile and recognition internationally.

Source: UKTI

www.kentinternationalbusiness.co.uk

Kent County Council kent.gov.uk

KENT International Business

The KIB Partners

University of Kent

enterprise europe network
Business Support on Your Doorstep

bsk cic

KENT INVICTA CHAMBER OF COMMERCE

Canterbury Christ Church University

KEB Kent Economic Board

HSBC
The world's local bank

KEC

Kent Channel Chamber of Commerce
The Ultimate Business Network

Locate in Kent
Perfect for Europe. Perfect for Business.

UK TRADE & INVESTMENT

Medway
Serving You

FSB

IoD
SUPPORTED BY
INSTITUTE OF DIRECTORS

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KIB is also supported by Kent District & Borough Councils through the Kent Economic Development Officers Group

KIB Activities

Awareness Raising:

@Kent_int_biz

www.kentinternationalbusiness.co.uk

KIB Activities

KIB Website: single source of information

www.kentinternationalbusiness.co.uk

KIB Activities

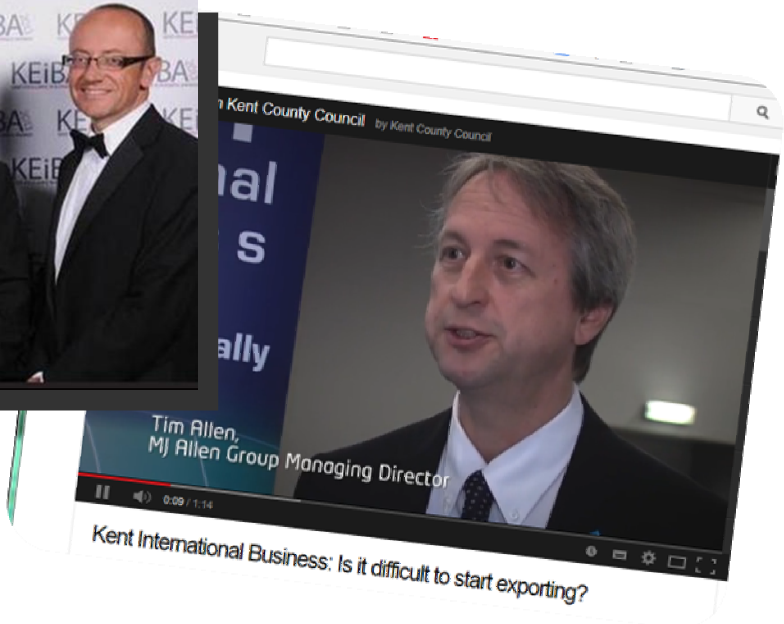
Local events: sector, topic or market specific
Delivered by KIB Partners

www.kentinternationalbusiness.co.uk

KENT International Business

KIB Activities

- KEIBA awards & company case studies – celebrating success to inspire others



www.kentinternationalbusiness.co.uk

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kent.gov.uk

KIB Activities

Securing EU Funding to deliver international trade support programmes in Kent:

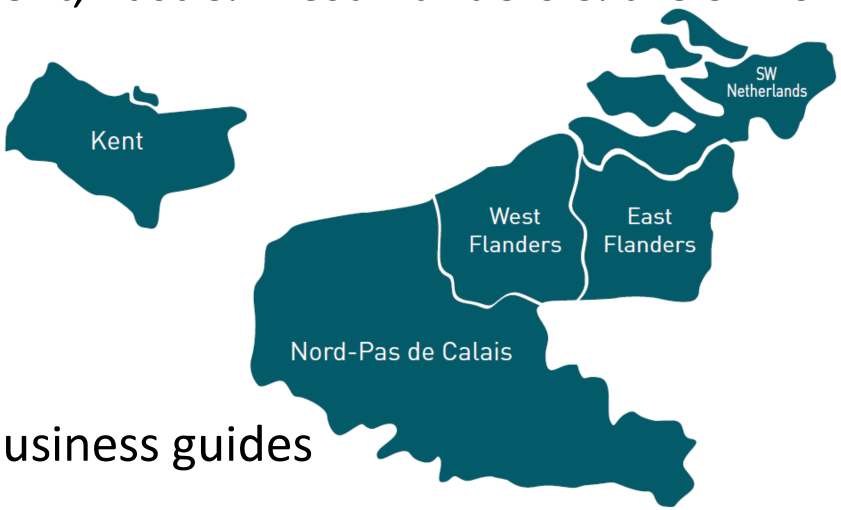
- Enterprise Europe Network
- 2 Seas Trade Project
- Chain 2 Project

www.kentinternationalbusiness.co.uk

KENT International Business

The 2 Seas Trade Project

- Market entry support programme (Dutch, Belgian & French markets)
- Aimed at new exporters
- Project led by Kent County Council (9 Partners including chambers of commerce in Belgium & the Netherlands)
- €700,000 EU Funding secured for Kent, East & West Flanders & the SW of the Netherlands



Activities:

- Local business workshops
- 1-2-1 support visits
- Trade fairs & market visits
- Advice & information e.g. Doing Business guides

2 SEAS TRADE

www.2seastrade.eu

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2ST Market Visits & B2B Networking

- Sector specific visits
- Meet with real businesses in mainland Europe
- Market research e.g. “is Belgium right for my products or services?”

2ST Project Testimonials: Market Visits

“We met a Belgian importer at the event who ordered 80 cases of our product there and then”

“Last week as a result of the networking event we have had a customer ask for a quote of between 20,000 and 45,000 items to France!”

“It has helped me make decisions on where to go for exports.”

“Workshops have encouraged me to start looking at Belgium which led to a UKTI OMIS study and a visit which should soon result in distributor agreement”

“Just a brief note to thank you all for the hard work you must have put in to enable me to attend the last 2 days at the Aquatech. The B2B section far exceeded my expectations and time will tell regarding opportunities which may develop from this. The exhibition overall was most helpful widening my technical knowledge, experience and for the contacts refreshed and new contacts made. The other participants, who are all on our doorstep in Kent, will also provide business opportunities that would never have occurred had we not met over the last two days. It was a most worthwhile time for myself and my company so do please ensure you thank your team who were so helpful all along the way”

“Gained additional market intelligence, met potential new clients, met potential new suppliers , met exciting partners and met potential new distributor in Turkey”.

“Good leads from European suppliers and people on trip.”

“Better understanding of the opportunity in each market/country & 3 good leads/contacts to sell direct or partner.”

“New contacts and products. Great experience, great group (the size of the group was perfect too)”

2 SEAS TRADE

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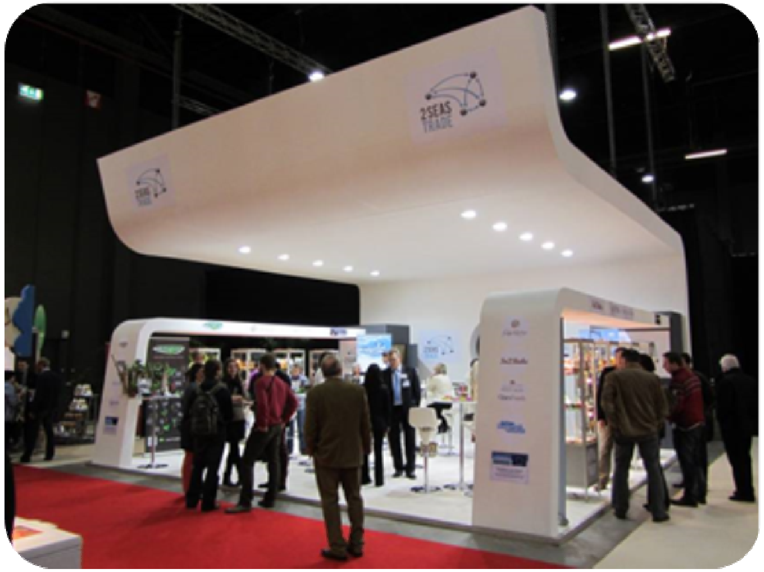
The 2ST Project: Trade Fair Stands

- Joint Kent – Flanders – Netherlands stand
- Free stand space for small businesses
- Opportunity to test the market & sell direct to an international audience



2ST Project Testimonials: Trade Fairs

"We were very happy with the help we received from 2 seas Trade, it enabled us to meet and sign a new distributor in Turkey. It is a long process to find the right help but we would recommend 2 seas Trade to any business that needs help expanding into Europe."

"We made over 15 new contacts from Tavola, the most important was the appointment of our distributor. The majority of contacts were within Belgium and the Netherlands and thus handed over to the distributor but we also supplied product as a result of contacts met at the fair to Australia and Germany. 2 years on, Our distributor still represent us and their business continues to spread the word about our products for us."

"As a direct result of contacts made at the trade fair, we are now successfully doing business with a top-end Belgian catering company and our turnover increased significantly as a result last year and is forecast to do the same this year."

2 SEAS TRADE

www.2seastrade.eu

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The 2ST Project Outputs

- 15 Business workshops in Kent, 162 Kent businesses attended
- 2ST Stand at 4 international trade fairs, 18 Kent firms allocated stand space
- 7 sector-focused Market visits, 102 Kent companies attended
- 87 - 1-2-1 advice meetings with Kent companies

- 309 individual Kent Companies involved in the project (Oct 13)
- 346 individual participants from Kent businesses
- 564 companies supported by the project in total from Kent, East& West Flanders, the SW of the Netherlands, and Nord Pas de Calais.

2 SEAS TRADE

www.2seastrade.eu

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KCC "Highly Commended" for Trade Development Work

Kent County Council's "Kent International Business" scheme received a "Highly Commended" award in the 2013 Enterprising Britain Awards under the "Encouraging Exports" category. The application submitted by KCC also included the trade development work delivered within the 2 Seas Trade project.

The ceremony took place on 22 November at the House of Commons and awards were presented by Matthew Hancock MP, Minister for Skills & Enterprise. Vince Cable also attended the event to meet the award winners.

This national award scheme has four categories:

- The most enterprising area in the UK
- The organisation that best promotes enterprise
- The organisation most successful in encouraging businesses to export
- The school / FE college in the country that is best at supporting enterprise ambition

Only 8 awards were presented which including the four "Highly Commended" awards, one for each category so KCC did extremely well to be selected.

KIB was recognised for its efforts to boost export levels in the county based on its unique partnership approach and the innovative approach pioneered by KCC in supporting local businesses.

KENT International Business

Kent County Council kent.gov.uk

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Kent's European Relationship Select Committee – 14th January, 11.00 a.m.

Biographical Information: Myriam Caron

Myriam is European Partnership Manager. She became involved in 1997 with the EU Programme (Interreg) on EU funding, developing bids and bringing funding. She has always been in a corporate role and involved with economic and rural development. She is employed by KCC but feels she has always worked for Kent as a whole. Her work has mainly been on Interreg IV AB and C, plus Objective 2 Turner.

Myriam liaises with different KCC units – or, for example, European partners come to her with ideas and she will find an equivalent here. She has built a network of hundreds of partners in Kent and internationally. In the past she has one week in Kent, one week in France and is currently based at Hardelot.

Suggested themes for Members' questions

1. Background to KCC's European partnership work

2. European Partnerships:

    - Raising awareness of opportunities
    - Criteria needing to be met – risks and opportunities
    - Maintenance of links and establishment of new links/partnerships

3. How European partnership work contributes to KCC priorities and those for Kent

4. Key learning points from partnership work and recommendations for the future.

5. Hardelot: role and rational; opportunities, risks and options for the future

Please note that three options for Hardelot are proposed – the main report has been provided (some figures are to be amended) and two further options papers will be presented on 14th January.)

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Putting Hardelot on the map

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BUSINESS PLAN 2014-19

Introduction

The Hardelot Centre, near Boulogne in Pas de Calais, France, is owned and managed by Kent County Council for the benefit of its schools, youth organisations and the broader community. It also provides a resource for others outside the county to take advantage of teaching and learning facilities, while at the same time enjoying French immersion to improve language skills and cultural experience.

While the Hardelot Centre could be viewed as a KCC resource, it must also be autonomously sustainable and cannot burden the county's finances.

This business plan projects, over a five year period, the management, marketing and financial outcomes for the Centre, together with recommendations based on the facts presented by the Centre's past trading records and the understanding of the market for school activity journeys.

Overview

The premise for rendering successful any failing enterprise is simple: costs must be reduced; revenues increased; or a combination of both.

[redacted]

The costs associated with managing and running the Hardelot Centre appear to have been addressed in part and while the Centre might benefit from some restructuring of staffing, it is unlikely that any significant further cost reductions are possible.

[redacted]

If one views the Hardelot Centre as being equivalent in some respects to an hotel, occupancy should be at 50% to ensure long term sustainability and 60% to ensure a small but healthy profit from the enterprise.

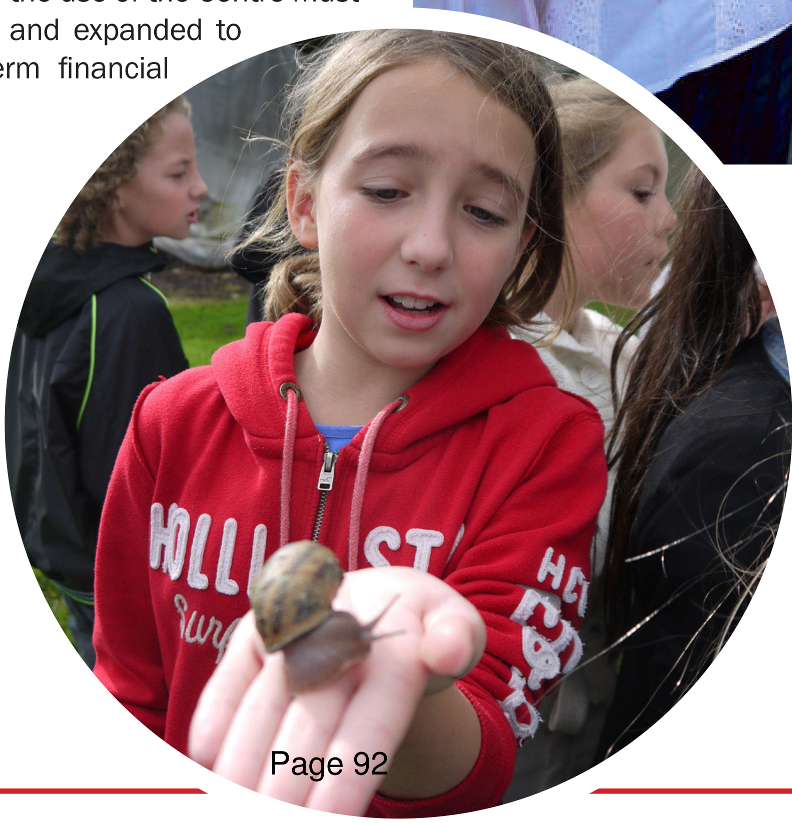
Introduction and Overview

Objectives

The Hardelot Centre has been the responsibility of KCC's International Affairs Group (BSS-BS) since April 2011. At that time the priority was to increase income and reduce expenditure, in order to make the Centre financially self-sufficient as soon as possible.

In doing so, however, the International Affairs Group was tasked with delivering the following main outcomes:

- To be a centre for English students to gain a short experience of France
- To create opportunity for English and French students to meet and learn about each other's cultures
- To forge a general partnership with Nord Pas de Calais that links the teaching of French in the UK and the teaching of English in France
- To develop a progressively broader use of the Hardelot Centre for small conferences and seminars - for example a seminar with KCC representation in France (like the Brussels office)
- To create a sustainable joint venture with Pas de Calais, linking the Centre to Hardelot Castle
- To use the Centre as a place of education but not only to broaden opportunities
- Most of these outcomes have been satisfied. However, the use of the Centre must be increased and expanded to meet long term financial sustainability



Current situation

First and most tangible observation is that the current situation at the Hardelot Centre is one of obvious transition. The restructuring of the staffing arrangements and a lack of marketing create an impression of status quo without overt evidence of momentum for improvement at the Centre.

In the business plan created in 2012, there was a list of initiatives for change suggested. These were:

- *Review of all expenditures*
- *Review of all Hardelot providers*
- *Negotiation of all utility contracts, catering and cleaning providers*
- *Tighter financial management*
- *Reduced food waste*
- *Review of staff tasks and planning resulting in less duplication of work and no need to pay overtime in busy periods*
- *Continuous presence of management on site – ready for clients opportunities, better staff management, special relationship established with customers*
- *New tariffs*
- *Increase of picnic prices*
- *More customer care*
- *A range of new products and services*
- *20% Increase of bed nights*
- *More flexibility with packages – bespoke service delivery*
- *Promotion of the centre at various specialised exhibitions*
- *Use of manager's transfrontier network*
- *Centre more visible amongst the local community and officials*
- *Assistance of local volunteers*
- *Free work placement in summer*
- *Partnerships with local attractions ,clubs ,twinning association*
- *Partnerships with local schools*

[redacted]

A very noticeable omission from the list above is a need for marketing and greatly improved communications between the Centre and its potential clients. Without a strategic communications initiative in place it will not be possible to impart news of changes to the Centre's publics.

Financially, the Centre is currently just about viable if previous historical losses are unaccounted for. In fact, there has been a marked improvement during the past two years, but this must be countered by the fact that a full time Centre Manager's post has not been filled after the previous incumbent left in 2012.

[redacted]

[redacted]

Bookings have increased each year since 2011 and there are confirmed bookings until 2016. There remains much scope for further increasing bookings.

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Accommodation

In the short term, showers and WCs need maintenance or replacement. In the longer term installing en suite washing and toilet facilities should be considered.

While bunk beds are adequate for school and youth group parties, they limit the appeal to other groups that could provide important weekend business.

To maximise the return on investment in staffing, while also increasing turnover, an extension to the accommodation capacity should be considered. Doubling the capacity to 60 beds would enable multiple schools to attend each week and also allow for larger single school groups.

Teacher accommodation

To improve the teacher resources and accommodation would measurably boost repeat sales. It is teachers not children that determine where the school will go for its trips. Teachers, like the rest of us, have raised levels of expectation thanks to improvements in the holiday market over the past decade. It is important to win their loyalty. Better bedrooms and improved lounge facilities for teachers to relax in are important.

Teaching resources

It would be worthwhile investing in materials for, say, arts and crafts. Extended classroom facilities would enable the Centre to be used fully even in poor weather. There is scope to bring in third party teaching professionals for arts, French, geography and so forth. Materials and tutors' fees could be passed on to schools/groups as part of a teaching and learning package.

Grounds

The four hectare site could be developed further for Learning Outside the Classroom and also for other outdoor activities. There is scope for sports surfaces and further adventure play equipment. Two further classrooms would also be a benefit by enabling the Centre to retain its appeal even in inclement weather – thereby extending the booking season.

Marketing

It would be a useful revenue source if the Centre offered a range of merchandise that visitors could purchase. These items could include postcards, mugs, caps, tee-shirts and small gifts. Tee-shirts and caps could be offered to schools at the time of booking and prior to their visit.

Putting Hardelot on the map

One of the key areas to Hardelot's short term success is to increase bookings. The best way to achieve this is to tell more people about the Centre and what it has to offer.

- The obvious and immediate target audience is Kent's educational arena. There are 479 Primaries; 137 Secondaries; 3 Nurseries; 45 Special schools; 8 FE Colleges; and 2 Universities. If 25% of Kent primaries sent one class for four nights to the Hardelot, it would equate to 5,280 bed nights, which alone would represent an occupancy rate of 57%. [redacted]
- The second target group is schools immediately surrounding Kent – including Essex, Hertfordshire, Sussex, Surrey and Greater London.
- Thirdly are *all* schools in England and Wales.
- Next are youth groups including Scouts, Guides, Beavers, Cubs, Brownies, youth clubs, church groups and all the other youth organisations.
- Lastly are all the special interest groups including cyclists, hikers, historical societies and so forth.
- [redacted]

Tactics and strategy

Kent schools are not taking advantage of the benefits of the Hardelot Centre. Few schools outside the county know about the Hardelot Centre. Unless one already knows of the Centre, it is impossible to find on the Internet (searching terms such as "school trips", "adventure trips", "school holiday trips", School foreign learning" and so on returns nothing from search engines).

Website

The first requirement is to design, construct and optimise a discrete website for the Hardelot Centre. This can link directly with the KCC website (and also with the Château d'Hardelot website etc.), but must be individually searchable by the main search engines (Google etc.). It must also be able to be maintained regularly by Hardelot Centre staff and should be updated with information on a regular basis (at least once a month).

The content of the website should include teaching and learning features, suggested itineraries, information about the surrounding area, cultural information, data for teachers and more.

Brochure

It remains important to have a brochure for the Centre. While the Internet provides the most heavily used and direct contact, it is useful to have a document that can be retained by the enquirer – a brochure should be sent immediately upon receiving online enquiries.

The brochure should be as timeless as possible and could be in a format of a folder with individually printed inserts for different phases, topics or groups. This would also enable quick and inexpensive updates or extensions to be added to the pack.

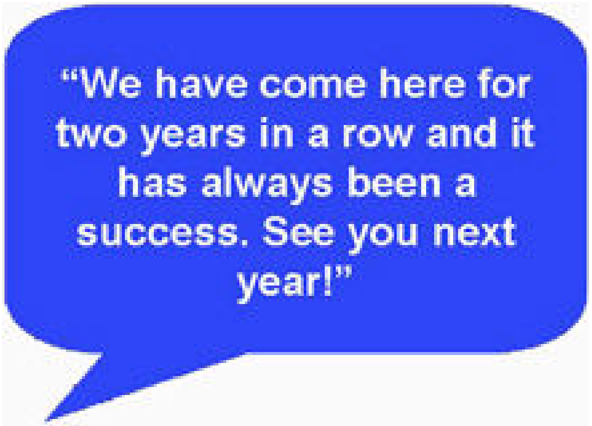
E-mailings

While schools receive thousands of emails each year, this remains the most cost effective way to reach a target audience. It is presumed that an e-mail list for schools exists within KCC. Other addresses can be purchased reasonably inexpensively to target schools outside Kent and also other groups.

Newsletter

A newsletter can impart changing information and news from the Centre. It also does so in a credible way. It can be sent by e-mail, hosted on both the Hardelot and KCC websites and can be printed inexpensively if required. One newsletter should be published each term.

A budget should be allocated for the above because such outlay will produce a tangible return on investment in the form of increased lettings.



Conclusions

If nothing more is done at the Hardelot Centre except restructuring staffing and implementing a sales/publicity/marketing campaign, it will be possible to achieve a small profit.

By offering value-added services, such as art tutors, language tutors, cookery and other learning opportunities, there is scope to increase profits. For example, an art tutor for a weekend would cost about £600, but it would be competitive to charge, say £350.00 per person for two days board and tuition. If just 10 students attended, this would generate a gross profit of £2700.00 for a weekend.

Staff restructuring is vital to create the flexibility of personnel to deal with the inevitable peaks and troughs of the Centre's occupancy. Outsourcing, where applicable, delivers a greater degree of control over costs, according to demand.

Certain maintenance/repairs and modifications may be a statutory obligation, such as access lighting.

The ability to handle bookings and payments for excursions and field trips would be a distinct advantage, both as a potential additional profit centre and also as a convenience for the Centre's clients.

The likelihood is that the Hardelot Centre will for a year or two make relatively little money. However, with the measures mentioned in place, the Hardelot Centre could become profitable while still providing a rich and valuable resource to schools and other groups in Kent and beyond.

In the longer term, investment in the facilities would enable greater charges to be levied. If additional sleeping accommodation can be considered, this would enable greater income with only marginal increases in staffing costs. Hence greater profits could be generated for reinvestment in the Centre or for other resources.

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Kent's European Relationship Select Committee – 14th January, 12.00 noon

Biographical Information: Tudor Price

Business Development Manager – Kent Invicta Chamber of Commerce

Tudor is an experienced multi sector commercial director with extensive knowledge of both the corporate and SME environment. A part qualified accountant, business adviser and first class communicator, Tudor's remit is to explore new areas of non-subscription revenue whilst continuing to develop and expand the Business Support and International activities of the Chamber.

Suggested themes for Members' questions
(please note these are provided as a guide only)

1. The role and involvement of Invicta Chamber of Commerce in European engagement and activities

2. Types and examples of projects.

3. The impact on the Kent economy from EU funded activity and engagement – has it made a difference?

4. The challenges (or disbenefits) with regard to securing EU funding for Kent projects

5. Learning from experience of match funding and issues for the future

6. The issues, from a commercial perspective on public sector intervention

7. New structures and possible arrangements for distribution of EU Structural Investment Funds (SELEP and Kent & Medway Economic Partnership)

8. The ways in which EU funding opportunities for KCC and Kent could be maximised in future

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Quarterly Economic Survey: Kent Invicta Chamber

Introduction

Kent Invicta is one of nine Chambers in the South East that are accredited by British Chambers of Commerce. The Quarterly Economic Survey run by BCC, the largest UK survey of its kind, is administered by every accredited Chamber. The questionnaire, honed over many years to gather a wealth of information, takes only about 3 minutes for a business Proprietor/ MD/ CEO to complete. Kent Invicta respondents regularly contribute some 20%-30% of the total QES survey data for the South East.

The latest findings are shown below, mostly using bar charts (which allow detailed comparison to reveal trends over time) in five groups:

1. Recent Sales and Current Orders
2. Cashflow and Prospects
3. Investment in Staff & Kit
4. Hiring Needs
5. Current Pressures.

Most questions in the Survey ask if things are better, constant, or worse. Accordingly, the top section of each bar shows the % of respondents who reported better (or Increased) results; the middle section shows the % with Constant results; and the bottom shows the % for whom results worsened.

To give a visual 'steer' on the buoyancy (or otherwise) of the economy, the % for whom results have worsened is shown as a negative figure. This makes it easy to spot (a) the volatility trend for struggling businesses, (b) the steadiness (or otherwise) of the percentage reporting Constant results and (c) the trend for more (or fewer) reporting Improvement.

These charts show findings for the past 12 months (4 Quarters); also a benchmark – findings for Q1 2008, after the UK bail-out of Northern Rock but before the failure of US banks Bear Stearns and Lehmann Brothers.

In addition, a sixth set of charts shows the number and make-up of respondents in terms of Industry Sector, and size (number of Employees). Tables of figures for the 12 industry classifications (4 Manufacturing and 8 Services) are also available on request.

The QES findings offer not just a benchmark for your own business performance but, much more useful, some information/ insights to help you focus time, cash and energy fruitfully on growing your own business profits. Any queries, feel free to get in touch.

Nick Rowell, nick@tpbs.co.uk, tel 01622 753 568.

Findings for Q3 2013

Executive Summary

After a poor start to 2013, UK Sales have strengthened throughout the year to date, especially for Manufacturers. The polarisation between thrivers and strugglers, noted in some previous QES findings, appears less acute: only 15% saw their UK Sales decrease in Q3, whilst as many as 4 out of 10 businesses continued to enjoy growth.

Export trends remain strong: three-quarters of Exporters continue to report rising Sales, and forward Orders. With over 9 out of 10 respondents exporting, Kent would appear to be rebalancing towards an export-led recovery, as many have hoped.

Looking ahead 12 months, confidence in Sales Turnover, and even Profits, remains buoyant for 6 out of 10 respondents.

At the same time, however, Cashflow remains a problem. It worsened for almost one-third of respondents, especially Manufacturers and small Service businesses (possibly struggling to get paid). Despite over 40% of respondents' mounting concern about Inflation, fewer than 30% were planning to raise Prices. This cautious approach may be partly due to increasing concern about Competition, expressed by more than 30%. Profitable trading is still a challenge for many.

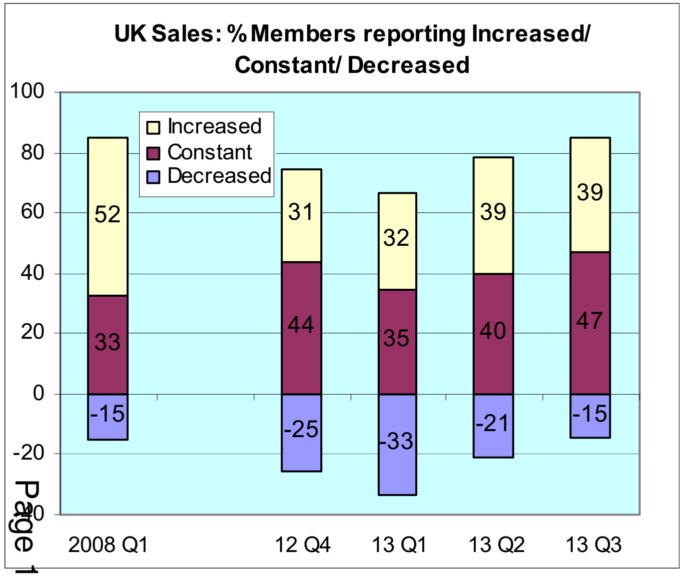
45% of firms sought to hire new staff, following the capacity-building of Q2 (69% hiring new staff). Over one-third had upped their planned investment in Training; and over one-quarter their planned spend on Kit.

As for Jobs, the trend for a shift from Part-time to Full-time, and from Temporary to Permanent, grew further in Q3. Some of the more skilled jobs of technicians and managers proved hard to fill.

Inflation is still the main pressure on Pricing, identified by over 40% of respondents as noted above: over half of Manufacturers mentioning Raw Material prices. Evidently sterling's depreciation this year, whilst helpful to Exports, is causing problems especially in Manufacturing.

Our respondents totalled 122 in Q3: 19 Manufacturing and 103 Services, mainly Professional and "Other" services, which are thought to include a number of Internet businesses. Such sample sizes give a good indication of trends over time, but it is wise not to rely heavily on the findings for one particular Quarter.

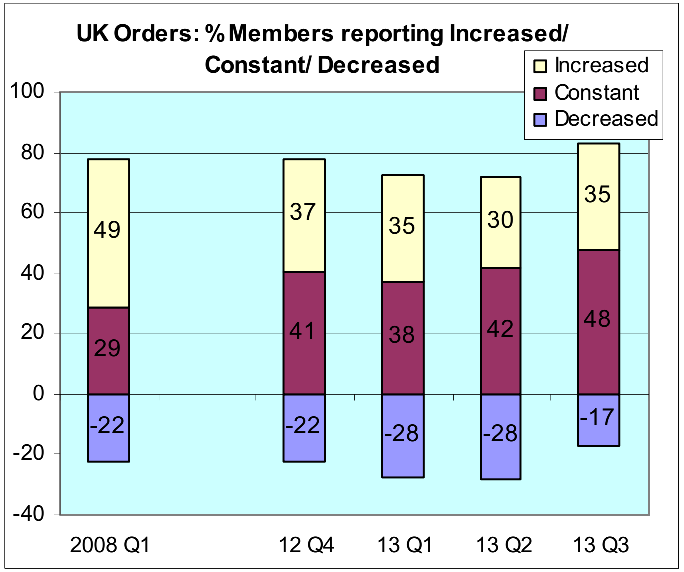
1. Recent Sales and Current Orders

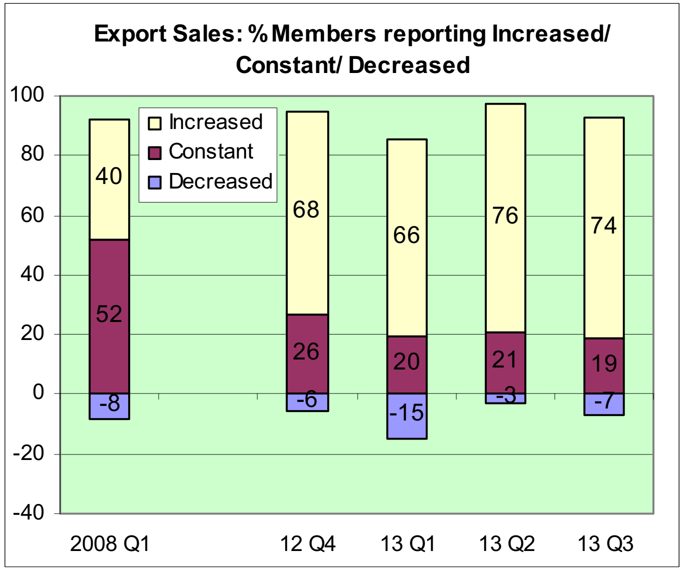


UK Sales & Orders

Q3 saw a consolidation of the improvement in UK Sales from the low of Q1, with 4 in 10 respondents reporting growth. The strength of UK Orders was also encouraging.

Detailed comparison of the findings for Services and Manufacturing reveals that, whereas in past years Service businesses have in general fared better than Manufacturers, in all three Quarters so far in 2013 this trend has reversed. (In Q2 and Q3 all but one Manufacturing respondents were Exporters.)

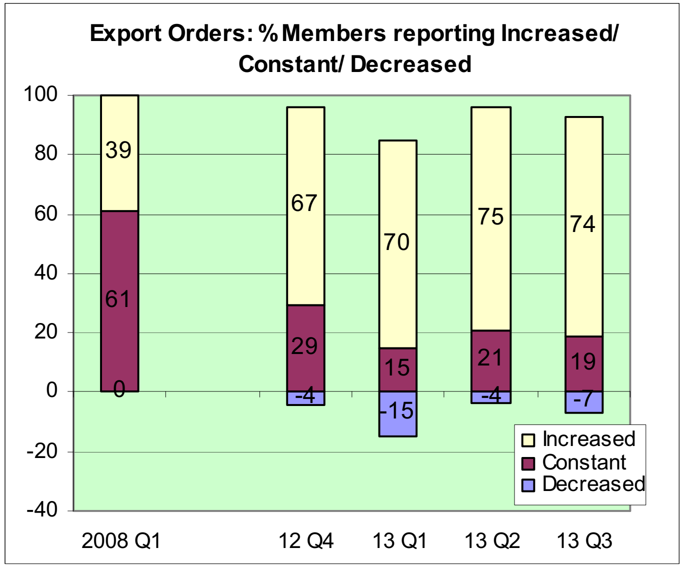




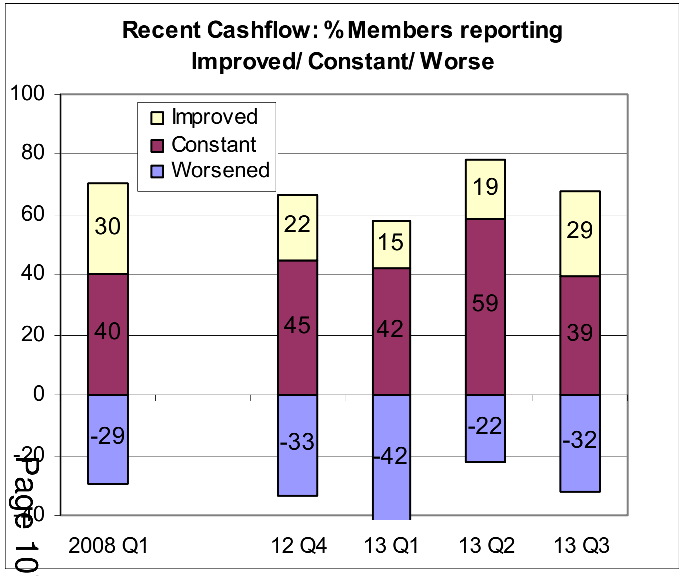
Export Sales & Orders

With so many Exporters reporting growth in the past year, it was inevitable that not all could expect demand to keep rising quarter after quarter. That said, the demand for UK Exports is evidently continuing to grow in many sectors, with forward Orders as strong as recent Sales.

As noted in previous Quarters, a good deal of our members' export demand is evidently arising outside the eurozone.



2. Cashflow and Prospects

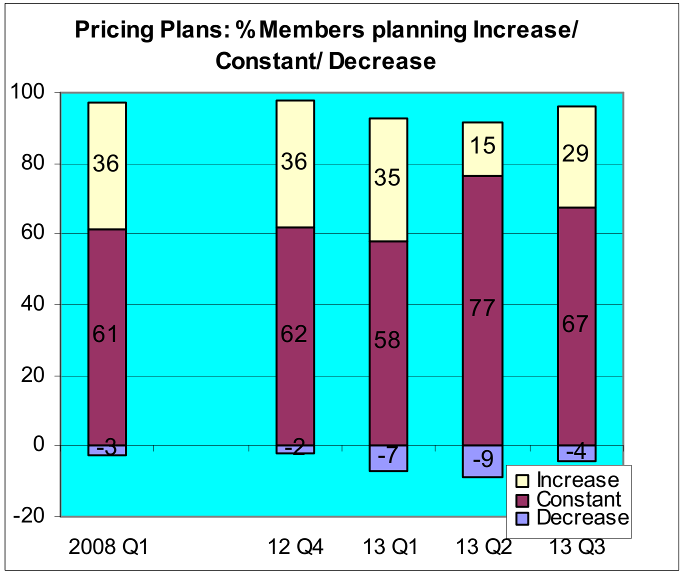


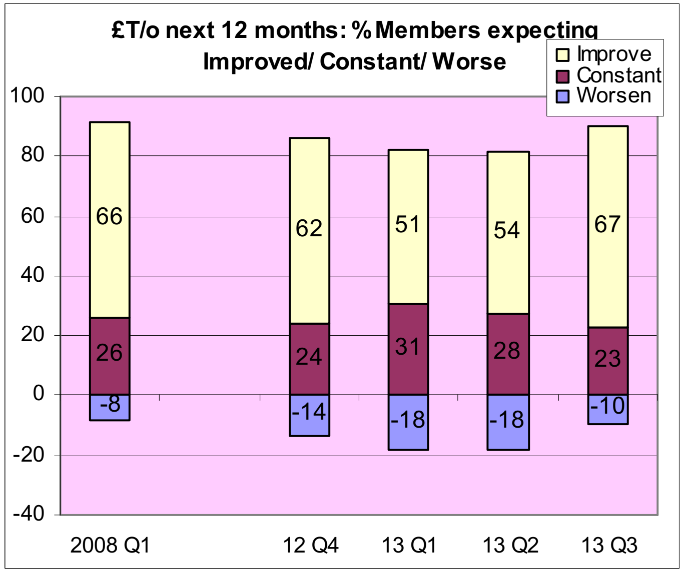
Recent Cashflow

Negative Cashflow has been a persistent problem ever since the credit crunch began in 2007. The fact that this problem afflicted 32% of both Services and Manufacturers in Q3 of how vulnerable our economy still is, despite the many success stories.

Planned Price Increases

Faced with persistent inflation especially for imported goods and materials, for two-thirds of firms to be delaying price increases is testimony to their resourcefulness.

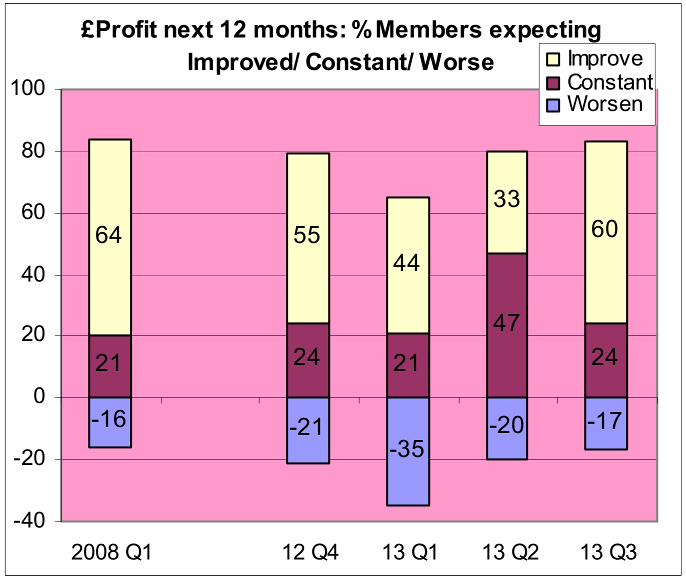




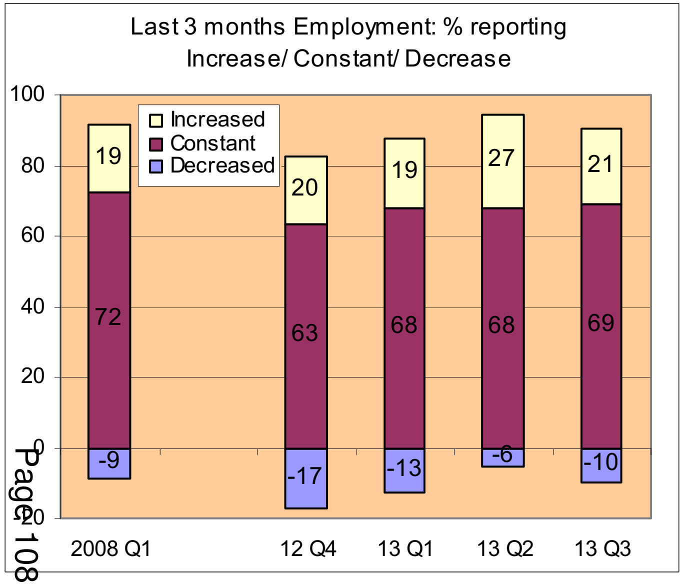
Expectations of Sales Turnover & Profits

For two-thirds of firms to expect Sales growth in the next 12 months is the most positive outlook since the crunch. Even more encouraging is the prospect of 6 in 10 anticipating growth in Profits – thanks in large measure, perhaps, to Exports?

There is nonetheless still a significant minority who expect their Profits to worsen.



3. Investment in Staff & Kit

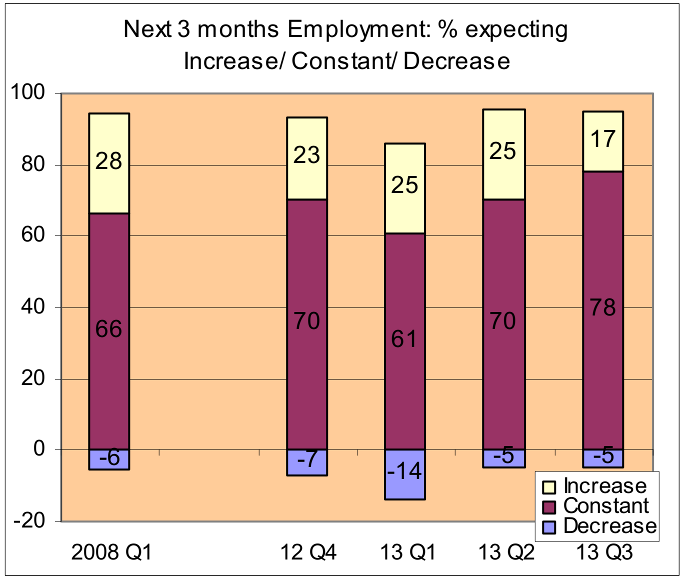


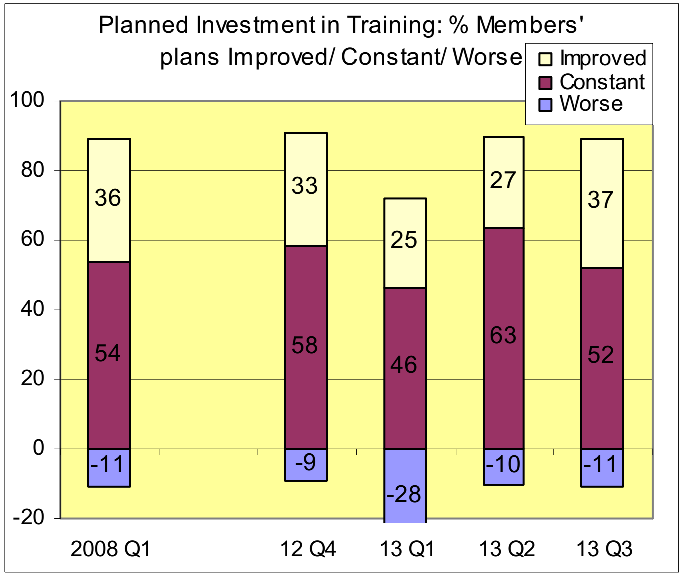
Employment: last 3 months, next 3 months

With employment – and expectations of employment – slightly weaker, maybe the Cashflow problems identified above are still acting as a deterrent to hiring. Even some of the 25% of respondents who in Q2 were expecting to hire in Q3 appear to have scaled back their growth plans.

But it's good to see, for the second quarter running, only 5% expecting to shed staff.

Detailed comparison shows many more Manufacturers hiring than Service businesses.

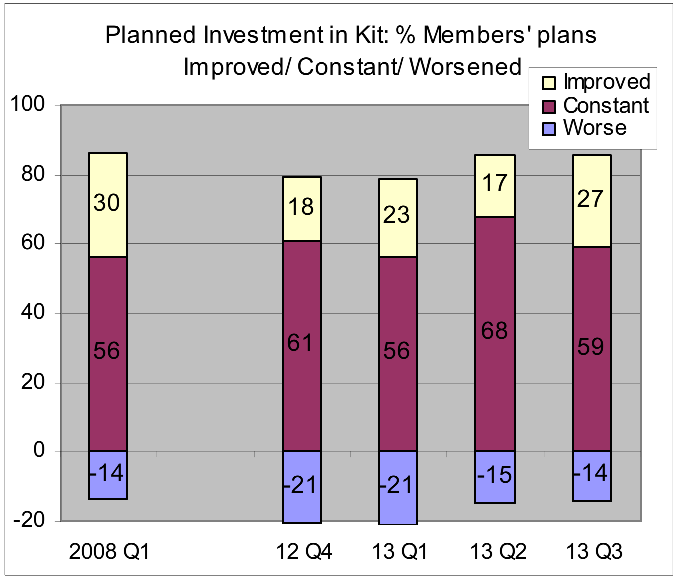




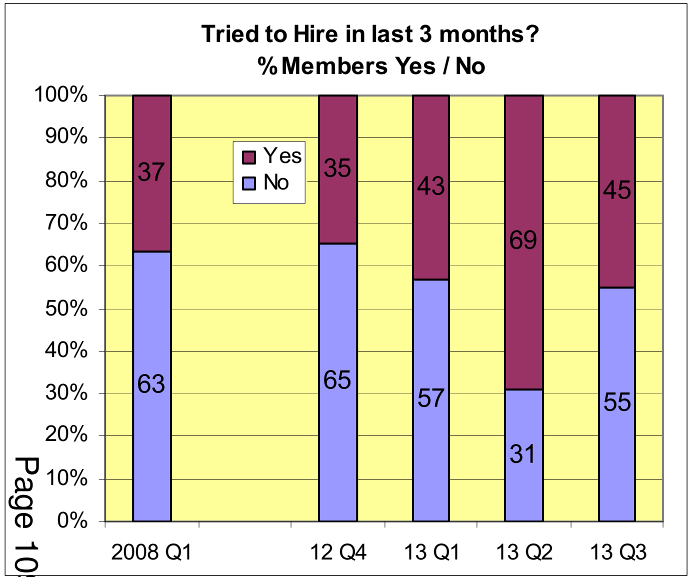
Planned Investment in Training and Kit

In spite of the weak Cashflow reported by some, it is evident that a significant minority are to ploughing their Profits back into the capability of both Workforce and Kit.

Most, however, remain conservative, especially when it comes to Kit.



4. Hiring needs

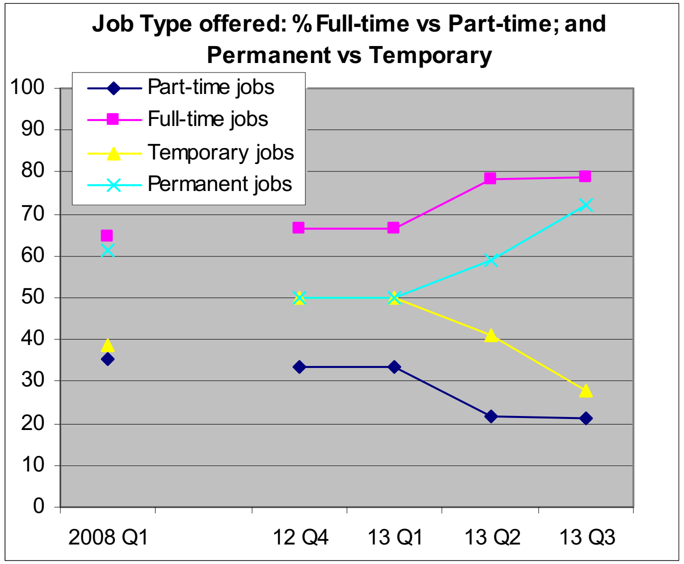


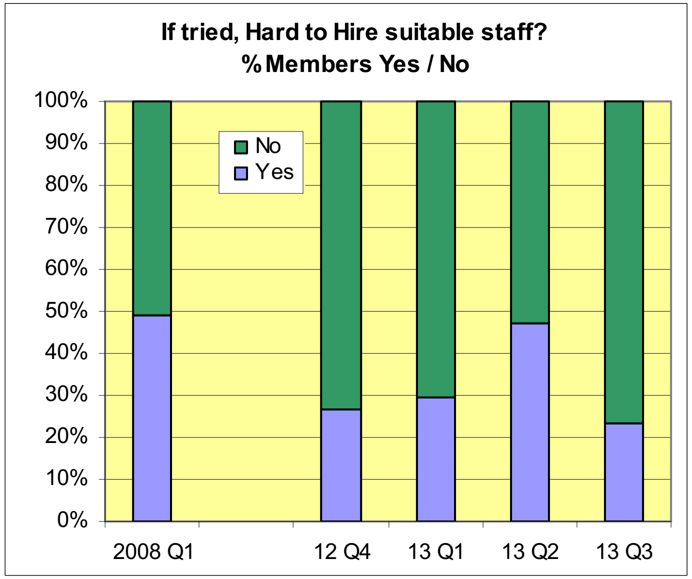
Tried to Hire in last 3 months

Whilst the proportion of firms looking to grow their workforce dropped back again from the 7 in 10 reported in Q2, at almost half the respondents it remains encouragingly high.

Job type offered

Perhaps the most encouraging signs of recovery in Kent is that, whilst the jobs growth of Q2 hasn't been repeated, the swing back towards Permanent, Full-time jobs is continuing.



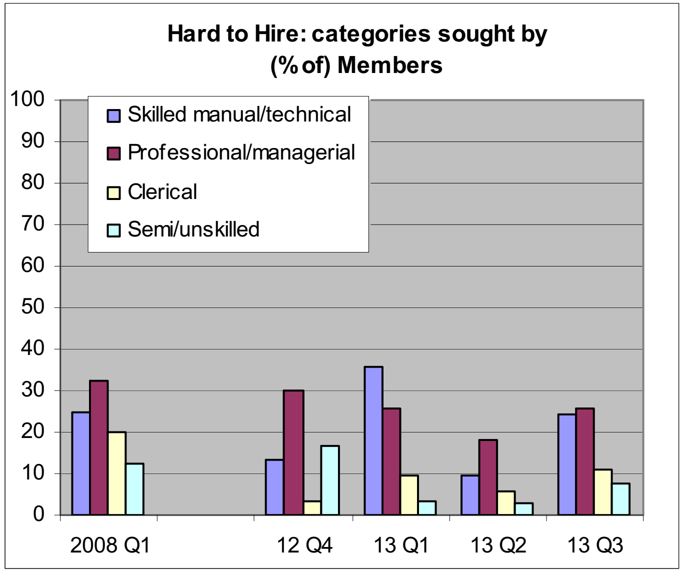


Hard to Hire suitable staff?

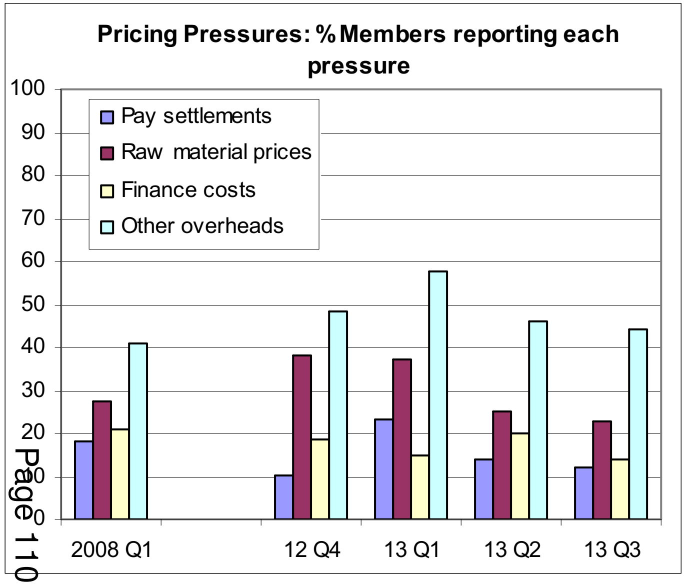
Not much difficulty hiring suitable staff in Q3.

Hard to Hire: categories sought

Nonetheless, 20% - 30% still experience problems finding the right technically skilled and/or professional staff, for whom time and investment are required to develop capability.



5. Current Pressures



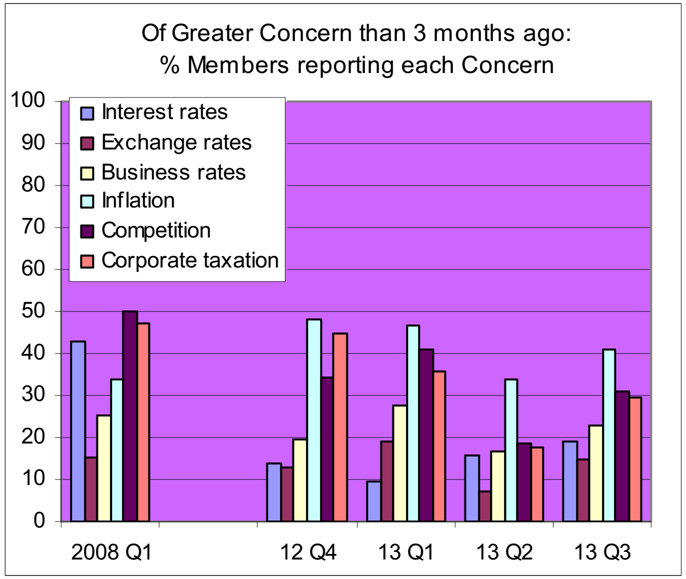
<u>Pricing Pressures & issues 'Of Greater Concern'</u>

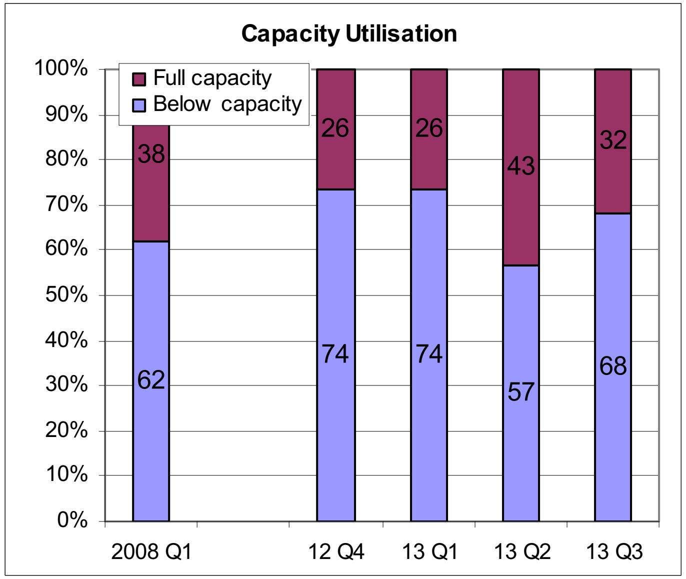
Overheads, probably energy costs in particular, remain a threat to Profits and a pressure to raise Prices. Raw Materials are back on the list of pressures, especially for Manufacturers.

<u>Issues 'Of Greater Concern'</u>

Detailed analysis shows Competition of greater concern among Manufacturers (mentioned by 42%) than among Services (29%).

Even more striking only 26% of Manufacturers in the South East (*including* Kent Invicta Chamber) mentioned Competition.



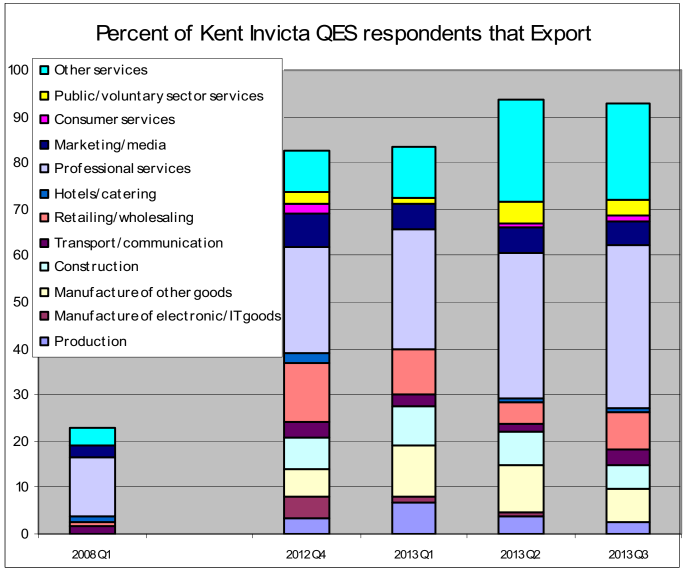


<u>Capacity Utilisation</u>

After firms took on more staff in Q2 to build spare capacity, Q3 saw a return to more normal levels.

<u>Percent of Members Exporting</u>

The significant hike in Exporters compared with 2008 started in 2012, and now shows more than 9 out of 10 respondents exporting. Construction is the sector with fewest reporting Exports (86%).



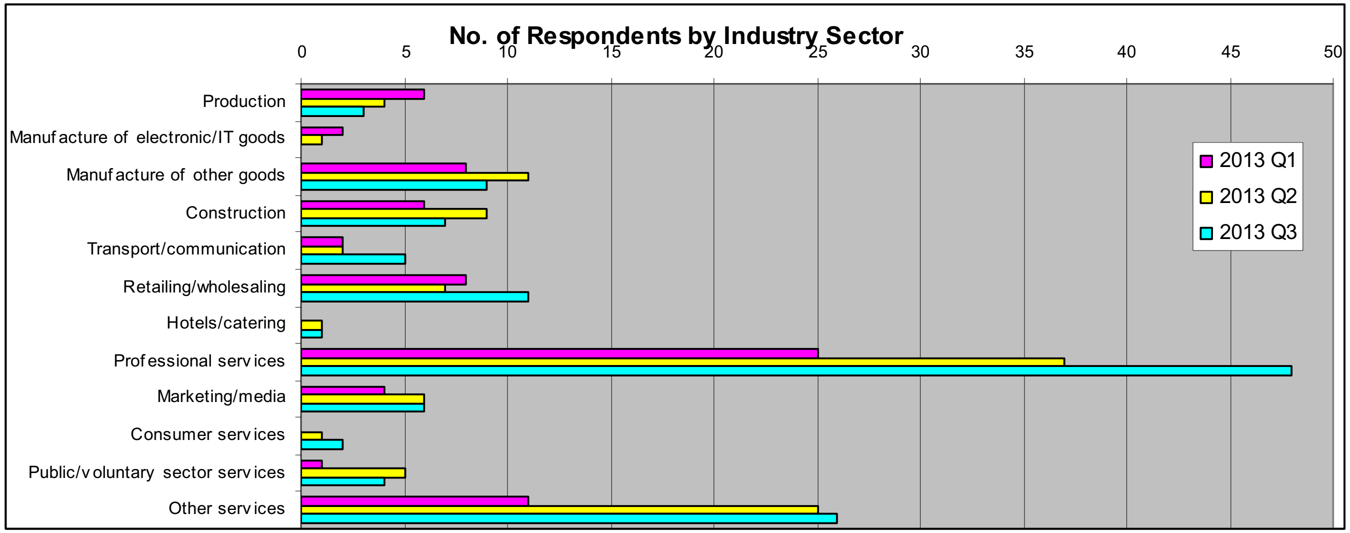
6. Respondents' composition by Industry Sector and Number of Employees

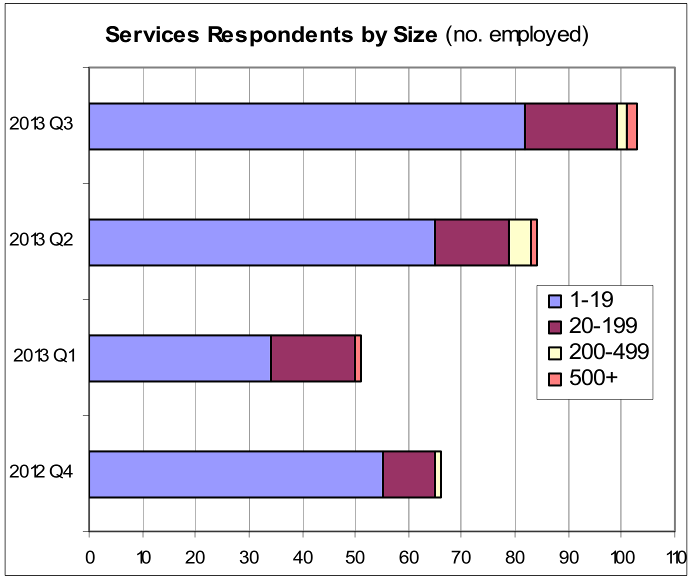
Industry Sector

The first four categories (Production, Manufacture of electronic/IT goods, Manufacture of other goods, Construction) constitute the "Manufacturing" sector.

The others form the broad "Services" sector. Within this, Professional Services is the largest single category. The Other Services category has grown in recent years and is thought to include a good many IT service firms as well as Internet businesses, including online exporters.

In Q3 2013 Kent Invicta Chamber provided 22% of Services and 25% of Manufacturing responses within the total South East sample.

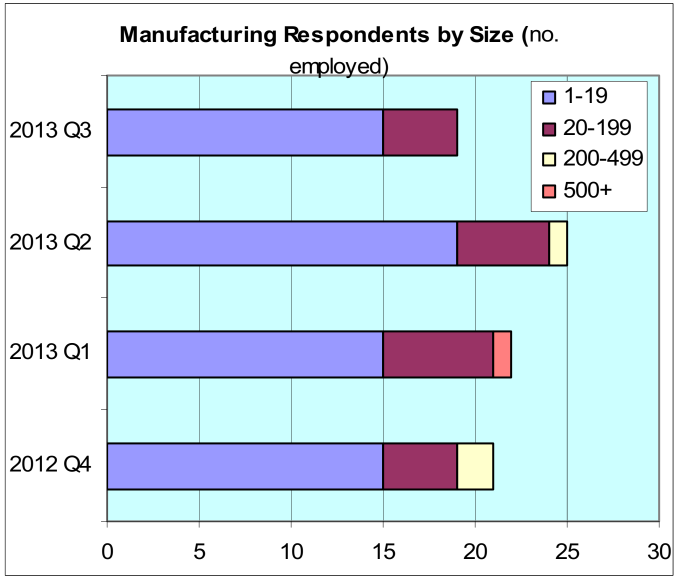




Size of responding businesses by no. Employed

The bulk of respondents (c.80%) continue to be those with 1-19 employees. This is in line with Chamber membership as a whole.

The respondents' ratio of Services to Manufacturing is around 5:1 (103 Services to 19 Manufacturing in Q3).



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3RD QUARTER 2013

BRITISH CHAMBERS OF COMMERCE
IN PARTNERSHIP WITH DHL

QUARTERLY INTERNATIONAL TRADE OUTLOOK

British Chambers of Commerce

DHL EXPRESS

THE BRITISH CHAMBERS OF COMMERCE

The British Chambers of Commerce (BCC) sits at the heart of a powerful network of 53 Accredited Chambers of Commerce across the UK, representing thousands of businesses of all sizes and within all sectors. Every Chamber sits at the heart of its local business community, providing representation, services, information and guidance to member businesses and the wider local business community. The Chamber Network is the premier business organisation supporting UK firms to trade internationally.

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Contents

DHL – THE LOGISTICS COMPANY FOR THE WORLD

DHL is the global market leader in the logistics industry and "The Logistics company for the world". DHL commits its expertise in international express, air and ocean freight, road and rail transportation, contract logistics and international mail services to its customers. A global network composed of more than 220 countries and territories and about 275,000 employees worldwide offers customers superior service quality and local knowledge to satisfy their supply chain requirements. DHL accepts its social responsibility by supporting climate protection, disaster management and education.

DHL is part of Deutsche Post DHL. The Group generated revenue of more than 53 billion euros in 2011.

www.dp-dhl.com

About this outlook

The BCC/DHL Quarterly International Trade Outlook sets out the opportunities and risks facing British companies as they trade the world – with a particular focus on timely information on dynamic new markets. It features the DHL/BCC Trade Confidence Index (TCI) which is a measure of the UK's exporting health. It builds on the role of accredited Chambers of Commerce – the UK's premier private-sector providers of international trade support to business – and the modelling expertise of Oxford Economics, who have provided all the economic and trade forecasts presented in this publication.

Foreword

by John Longworth

Director General, British Chambers of Commerce

I hope you enjoy this, the revamped Quarterly International Trade Outlook. Indicators are still showing growth, with the Trade Confidence Index for Q3 2013 at its third-highest level on record. Other leading indicators are also pointing to stronger growth ahead in more parts of the world economy.

However we need to remain cautious in our optimism about the prospects of growth in the world economy. We are faced with potential policy and political pitfalls, including the US debt ceiling, the Eurozone crisis, the "Abenomics experiment" in Japan, and a possible escalation of tensions in the Middle East.

It is clear that a sustainable recovery will have to rely significantly on diversifying and restructuring our economy towards exports, and achieving a positive balance in our trade with the rest of the world. British companies have massive untapped potential to expand, but they need the right backing to help compete and penetrate into new expanding markets. Not only will British companies find the support they need to export through our Chamber Network, but they will also benefit from the expertise and insight we now offer on expanding markets around the world.

With this in mind, we're delighted to be working in partnership with UK Trade and Investment to accredit and develop British Chambers of Commerce in 21 key growth markets across the globe, with more to come. Because these organisations are strongly rooted in the business communities in their home markets, they will give exporters a route into fast-growing countries, allowing them to access specialist trade support and services globally as well as locally. Only by increasing the scale of support for our businesses and encouraging them to 'think global' will we begin to rebalance towards net exports, and build a truly great economy.

Foreword

by Phil Couchman

CEO, DHL Express UK & Ireland

The Trade Confidence Index for Q3 2013 is at its third-highest level on record, proof that exports are still in a strong position. Even more promising is the fact that business requests for export documentation are currently up by nearly 4% on the same time last year. These consistently strong figures are being firmly driven by a thriving community of independent exporters growing in confidence and benefiting from an overseas appetite for 'Brand Britain'.

At DHL we strongly believe that for SMEs to successfully expand overseas, planning is crucial, and one means of international expansion for businesses is to grow using an export curve. This approach involves starting out by growing your exporting business in shared-language countries, then branching out into other European countries to take advantage of free trade agreements, and finally, reaching the top of the export curve by expanding into BRIC countries and other, more challenging markets. This is a tried and tested route to steady growth that has seen global and sustainable expansion for the likes of internet fashion giant, Asos, to name one example.

SMEs still need guidance and support to navigate this export curve, and Chambers across the UK showcase the sort of creative and practical support that is available. In order to achieve the government's overall ambition to raise UK exports to £1 trillion and to get 100,000 more UK companies exporting we need to see more initiatives that create a single team from across government and industry to drive exports and a single UK brand identity for a particular sector of focus in the UK economy. There is a real commitment to supporting exporters old and new - and we look forward to helping more British SMEs to reap the rewards of international expansion.

The DHL/BCC Trade Confidence Index is a measure of the UK's exporting health. By analysing trends in trading activity and key factors of exporting firms' performance, the TCI gives a truly comprehensive picture of the UK's internationally-trading business community. The TCI is generated from two data sources: the BCC's Quarterly Economic Survey **(Confidence Indicator)** and data generated from exporting activity that requires supporting documentation **(Volume of export documentation).**

EXPORT INDEX OVER THE PAST YEAR				
Q3 12	Q4 12	Q1 12	Q2 13	Q3 13
112.16	113.75	114.84	118.12	116.32

Many types of exports require supporting and commercial documentation. Chambers of Commerce administer documentation required for exports outside the EU and have amassed a significant dataset around UK goods exports as a result. The TCI uses data collected from this process to show both an index of documentation and regional comparisons of exporting activity. (Further details can be found in the methodology on page 26).

- The index number used to calculate the volume of trade documents administered by Chambers of Commerce across the UK now stands at 116.32. This represents a fall of 1.5% on the last quarter and a rise of 3.7% on the same quarter in 2012.
- Although the index fell, it is the third-highest figure on record. The highest was seen in Q2 2013.

CONFIDENCE INDICATOR

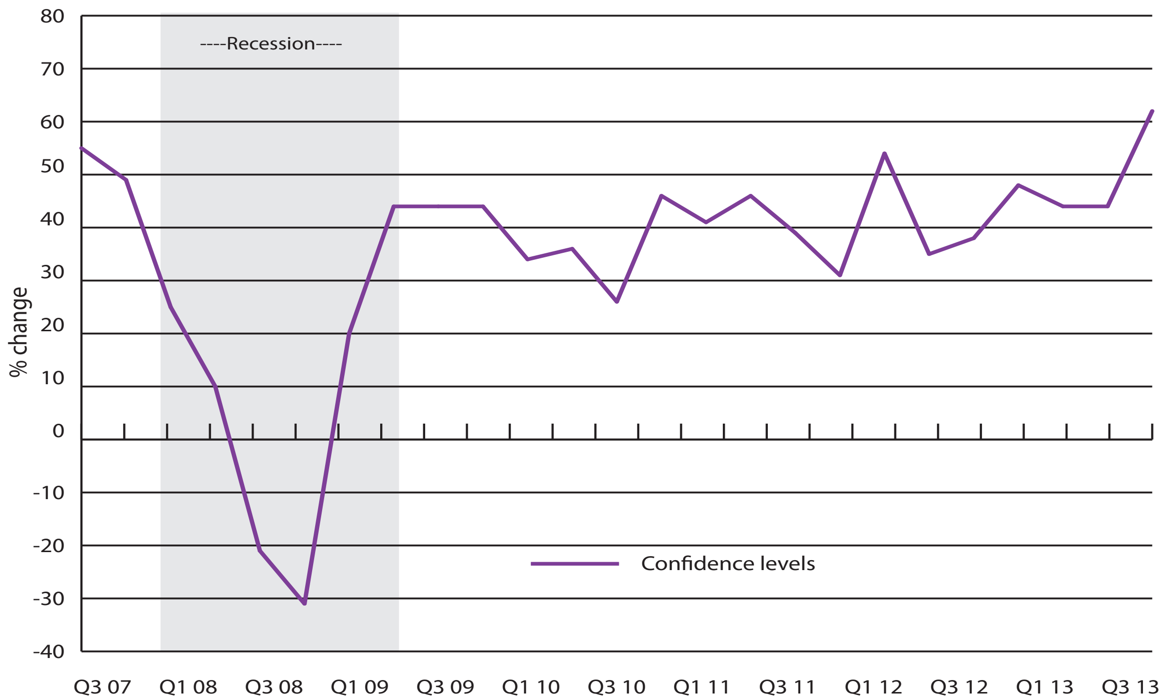


Figure one: Balance of firms who are confident that turnover will improve over the next 12 months

- Confidence levels amongst exporters continued to increase on the quarter, as a result of a noticeable improvement in manufacturers' confidence that turnover will improve. Confidence levels continue to remain high by historical standards.

- Volume of trade documents issued is at the third-highest figure on record.
- The index number used to calculate the volume of trade documents administered by Chambers of Commerce across the UK now stands at 116.32.

National

There was a slight fall in the volume of trade documents issued on the quarter. The index now stands at 116.32. This represents a decrease of 1.5% on Q2 2013, and an increase of 3.7% on the same quarter in 2012. The previous highest level was 118.12 in Q2 2013.

		Percentage Change (%)	
	Index number 2007=100	Recent quarter compared to last year	Recent quarter on previous quarter
Volume index of export documentation	116.32	+3.70%	-1.52%

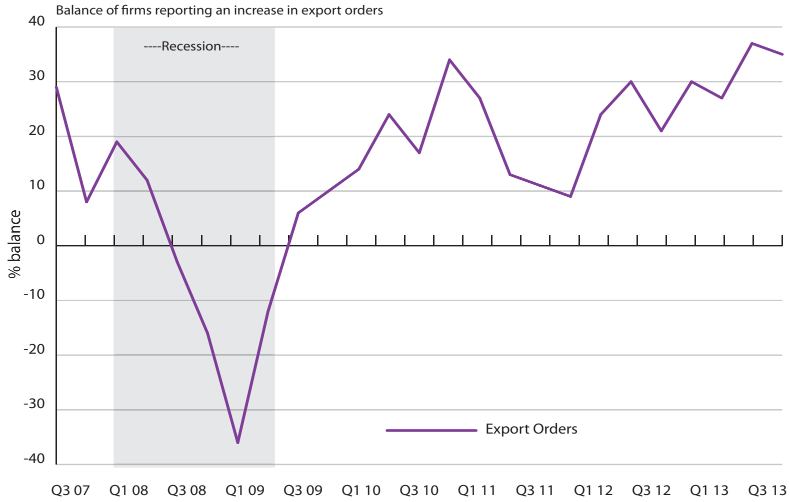
Regional

There was a mixed picture across all regions compared with Q2 2013. The highest was recorded in Northern Ireland (up 21.4%). This was followed by the East Midlands (up 11.57%), Scotland (up 9.29%) and Yorkshire & Humber (up 1.76%). The biggest fall was in the South West (down 10.88%), this was followed by the West Midlands (down 7.17%), the North West (down 7.09%), Wales (down 5.02%), the East of England (down 3.17%), London (down 3.04%) and the South East (down 0.21%).

Regional comparison - export index

% change quarter-on-quarter (Q3 2013 on Q2 2013) and change on the same quarter a year previously (Q3 2013 on Q3 2012)

Export orders

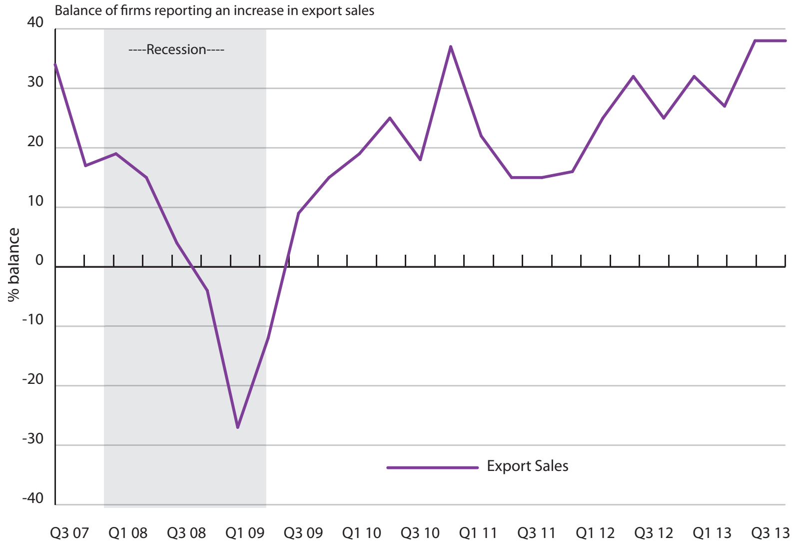


Export orders fell slightly for both manufacturing and service firms

• The export order balance fell by two points in the third quarter of 2013 to reach +35%. Despite this, the balance is the second highest figure on record. The previous highest figure of +37% was recorded in the last quarter (Q2 2013).

• Further breakdown of the export orders balance reveals that 44% of exporters reported that their export orders increased in Q3 2013. 9% of respondents stated that they decreased, and 47% stated that orders remained constant.

Export sales

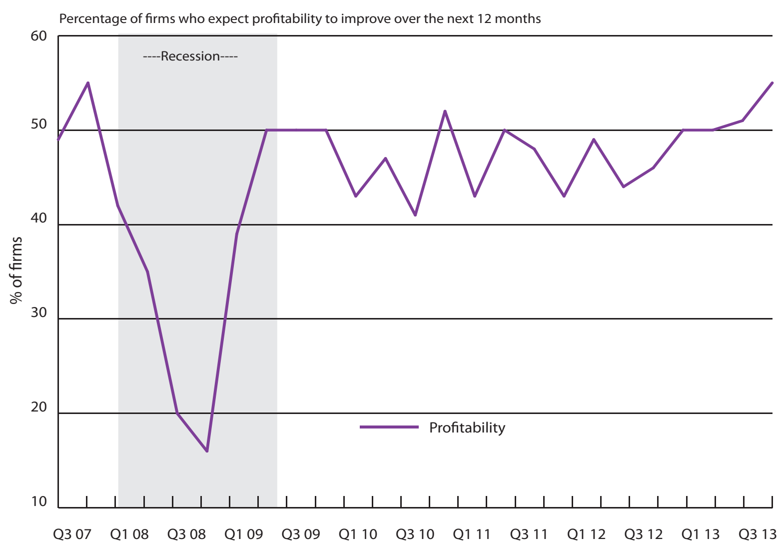


Export sales indicator remained the same in the third quarter of 2013

• The export sales balance remained the same in the third quarter of 2013 at +38%, as shown in the graph on the left.

• Further breakdown of the export sales balance reveals that 46% of exporters reported that their export orders increased in Q3 2013. 8% of respondents stated that they decreased, and 46% stated that orders remained constant.

Profitability confidence



Increase in share of firms who expect profitability to improve

• Exporters' confidence that their profitability will improve over the next twelve months remained high by historical standards. For the second quarter in a row the profitability confidence balance increased. In the latest quarter the balance increased by eleven points to +42%.

• Further breakdown of the profitability confidence balance reveals that 55% of exporters reported they were confident about a future increase in profitability.

Economy

Global

GDP in the Eurozone grew by 0.3% in Q2 2013. This is the first quarterly growth since the Eurozone slipped into recession in Q4 2011. The ensuing recession of six quarters was the longest since the euro currency was launched in 1999. France's economy grew by 0.5% and Germany's GDP also grew by 0.7%. The figures will be greeted with a sigh of relief by Europe's policymakers, who have spent nearly four years grappling with a debt crisis which threatened the future of the euro.

UK

The UK's GDP increased by 0.7% in Q2 2013. UK GDP grew by 0.7% over Q2 2013. Annual growth in Q2 2013 was 1.3%, compared with 1.5% previously estimated. All four main sectors, agriculture, production, construction and services expanded in Q2 2013 compared with Q1 2013; the last time that all four industries experienced growth was in Q3 2010.

Trade

Global

World trade grew by 0.6% in Q2 2013. Volume of world trade grew by 0.6% in the latest quarter compared to 0.9% in the first quarter of 2013. Export growth in advanced economies and import growth in emerging economies remained positive during the quarter, supporting the overall growth in world trade.

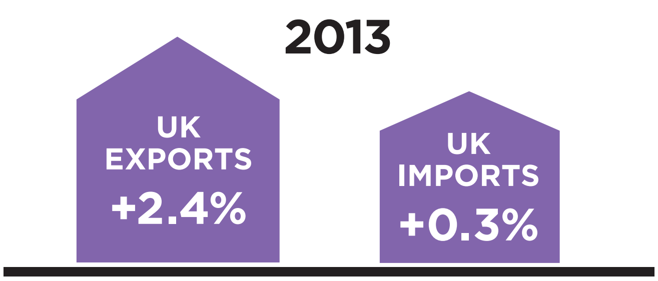
UK

Data for the UK's trade performance in the latest quarter showed growth in both imports and exports. Although the focus of UK trade is shifting away from the Eurozone, the Eurozone remains an important trade partner for the UK. In Q2 2013, total exports increased by £2.5 billion (3.3%) to £78.4 billion, and total imports increased by £1.6 billion (1.6%) to £103.7 billion.

Outlook

Economy

The global economy continues to grow at a modest pace. Europe has emerged from its longest recession, US growth remains stable, and the major emerging markets face slower growth. Meanwhile global financial markets have experienced considerable volatility, owing to prospective changes in US monetary policy, a new policy in Japan, and instability in China's banking system.



BCC forecasts

The latest BCC forecasts expect **exports will grow by 2.1%** while **imports will grow by 3% this year.** In 2014, exports are expected to grow by 3.7% with imports increasing by 3.3%.

Trade

Global

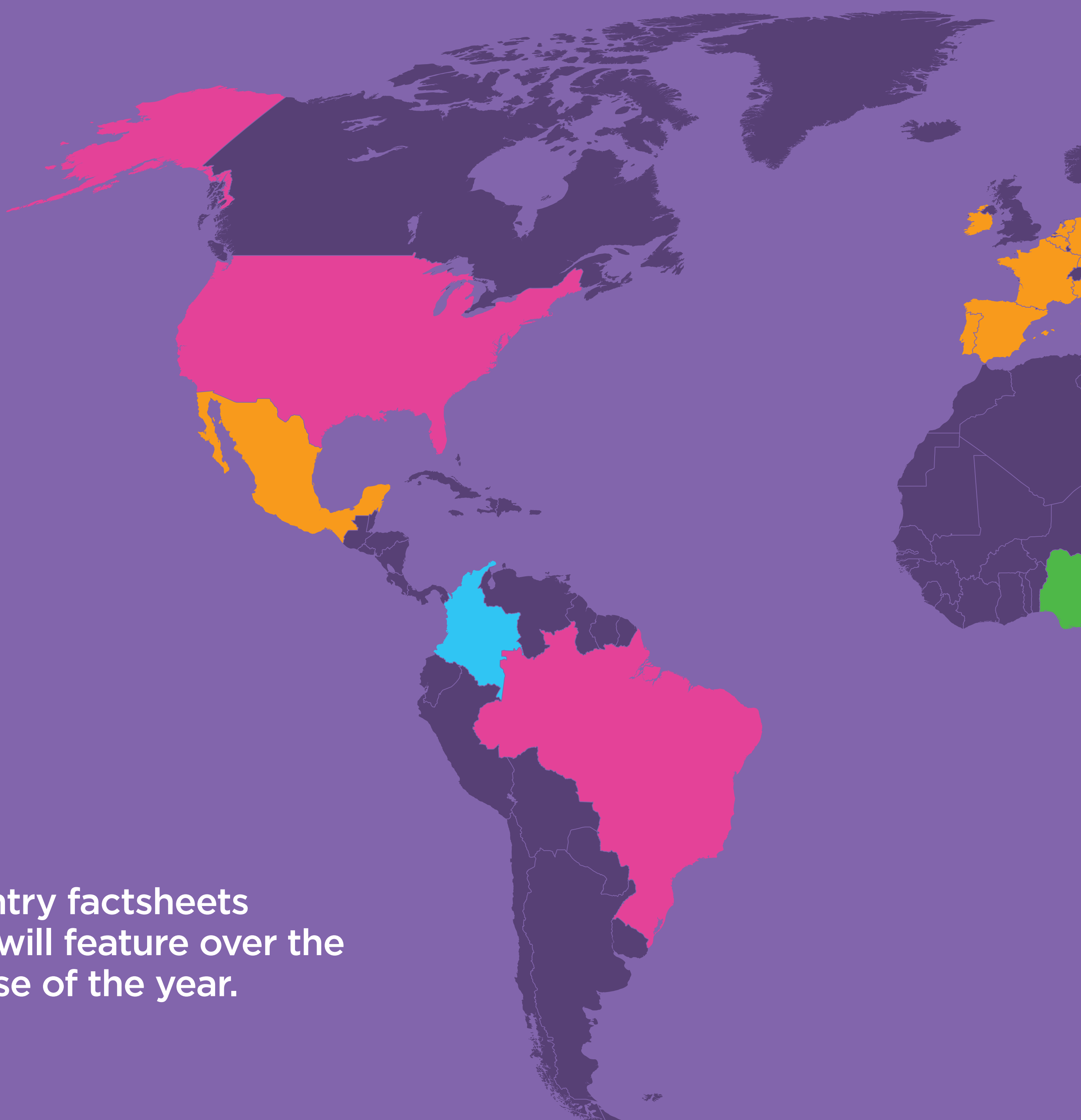
A small pickup in world trade volume growth to 3.3% is forecast for 2013 up from 2.0% in 2012. Exports from developed economies should increase by 1.4% while those of developing economies (including the Commonwealth of Independent States) should rise 5.3%.

UK

The BCC forecast for the net trade balance in goods & services is -1.5% of GDP in 2013, falling slightly to -1.3% of GDP in 2014, and -1.2% of GDP in 2015. We expect the trade deficit in goods & services to continue narrowing in the next few years, with most of the improvement coming from trade in services. Though progress will be slow, it is realistic to expect that the trade deficit will be eliminated before the end of the decade.

Factsheets

The dynamics of the global economy have changed with a new set of fast-growing markets challenging the position of the established advanced economies. The map below outlines 24 priority markets which are becoming more important in terms of their growth potential and global influence. These countries have been identified to have strong growth prospects and strategic importance for business.

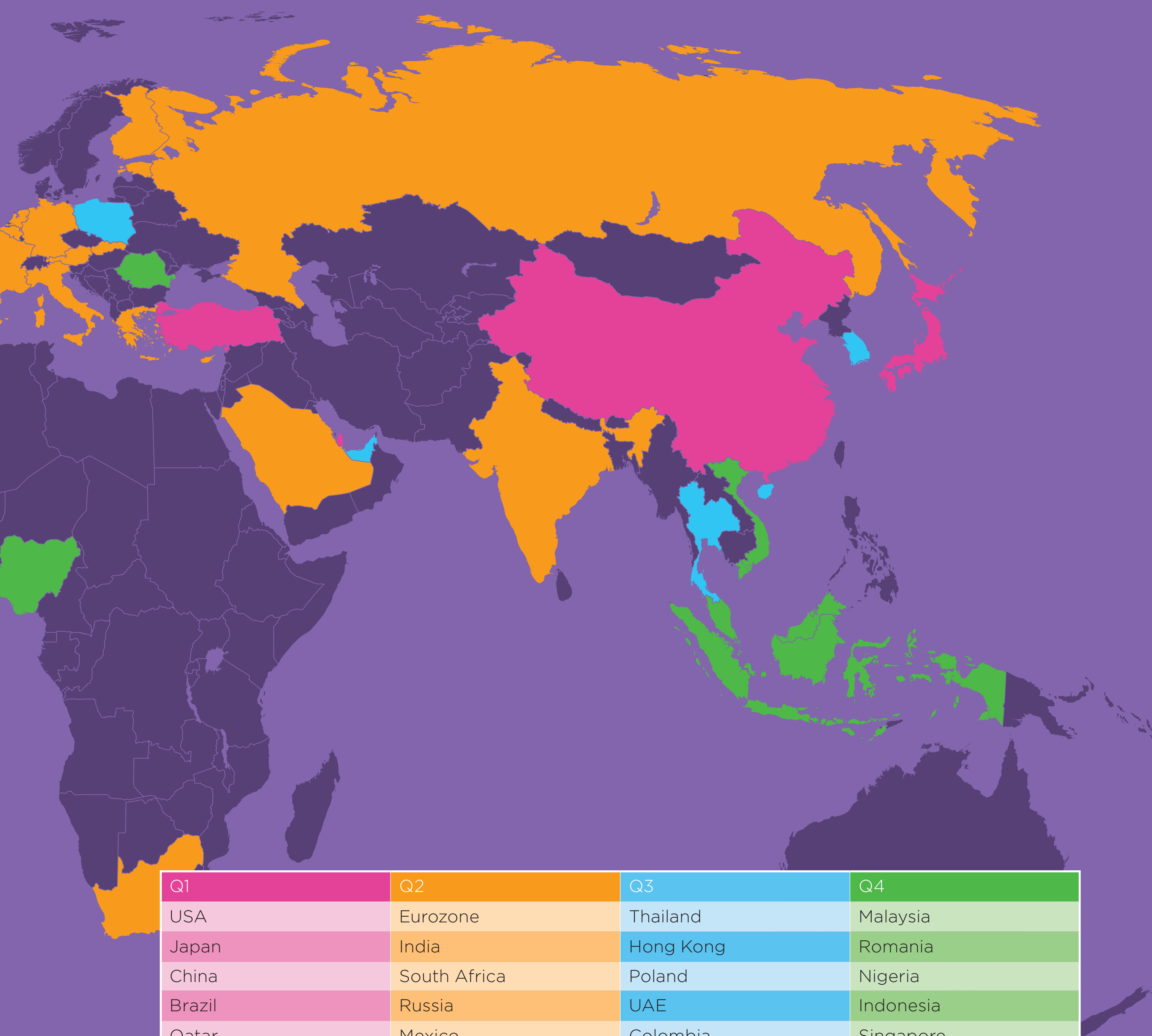


Country factsheets that will feature over the course of the year.

This publication series will present facts and figures in an 'at-a-glance' factsheet for each country. These factsheets will be a great resource for businesses seeking to trade, with concise and easy-to-digest information on the economic outlook, sector growth, trade outlook and opportunities for UK businesses within those markets.

Please visit our dedicated international trade website to access additional information on trade related information, and online versions of the factsheets.

www.exportbritain.org.uk



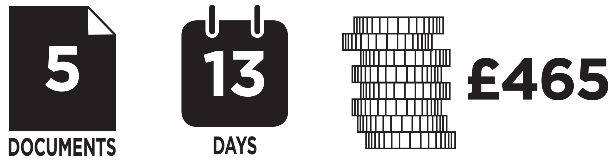
Q1	Q2	Q3	Q4
USA	Eurozone	Thailand	Malaysia
Japan	India	Hong Kong	Romania
China	South Africa	Poland	Nigeria
Brazil	Russia	UAE	Indonesia
Qatar	Mexico	Colombia	Singapore
Turkey	Saudi Arabia	South Korea	Vietnam

Thailand

Capital: Bangkok
Largest city: Bangkok
Administrative divisions: 76 provinces
Currency: Baht (THB)
Area: 513,120 km^2
Population: (2012) 66,720,153
Calling code: +66
Official language: Thai

Ease of trading across borders

Importing a standard container of goods into Thailand requires



Source: The World Bank, Trading Across Borders: Doing Business 2013

Thailand is the second-largest economy in Southeast Asia, after Indonesia. Despite this, Thailand ranks midway in the wealth spread of Southeast Asia as the fourth-richest nation according to GDP per capita, after Singapore, Brunei and Malaysia. The economy of Thailand is an emerging economy which is heavily export-dependent, with exports accounting for more than two thirds of gross domestic product (GDP).

Economic snapshot (% annual growth rate)

	2011	2012	2013-16
GDP	0.1	6.5	4.5
Export of goods and services	9.5	3.1	6.1
Import of goods and services	13.7	6.2	6.3
Inflation	3.8	3	2.4
Short-Term interest rates (%)	3.3	2.9	3.7
Exchange Rate (Per £)	48.25	48.34	51.10
Population	0.6	0.5	0.5
Unit labour cost	3.0	1.8	-0.3

Source: Oxford Economics

Economic outlook

As China continues to rebalance the economy away from a reliance on exports, growth in countries – such as Thailand – that have come to rely heavily on trade with China will be affected. After the rebound in 2012, economic growth is expected to moderate to about 5% this year and next, the pace seen in the three years leading up to the global financial crisis.

Trade outlook

The main destinations for Thailand's exports are the rest of Asia and the US. Although traditionally Thailand's major markets have been North America, Japan and Europe, economic recovery witnessed by Thailand's regional trading partners also helped boost growth in Thailand's exports. The country has also increased its exports in some of its non-traditional export markets, including India, China and the Middle East. To help increase the value of its exports, Thailand has negotiated free trade agreements with Australia, China, India, Japan, New Zealand and ASEAN.

SWOT analysis

Strengths
Automotive industry.
Member of the World Trade Organization.

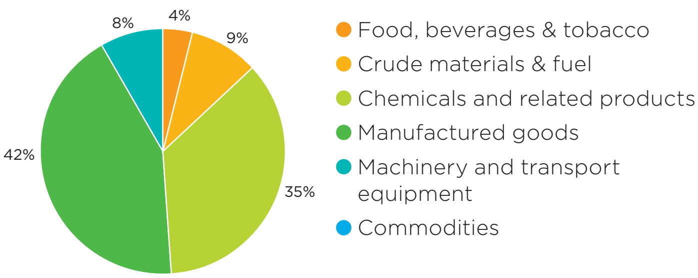
Weaknesses
Little economic investment in infrastructure outside of tourist zones.

Opportunities
Eco-friendly car industry.
Advocate of the free enterprise system.

Threats
Corruption.
Shortage of skilled labour.

Thailand’s trade with the UK

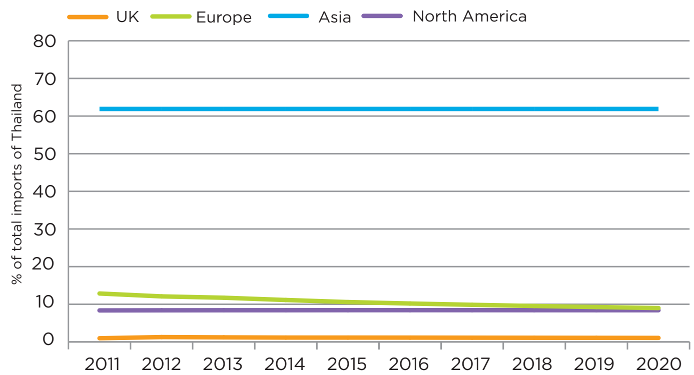
UK exports to Thailand (2012) - by major product groups



(Total value £2bn)

Source: Eurostat

How UK exports to Thailand compare



Source: Oxford Economics

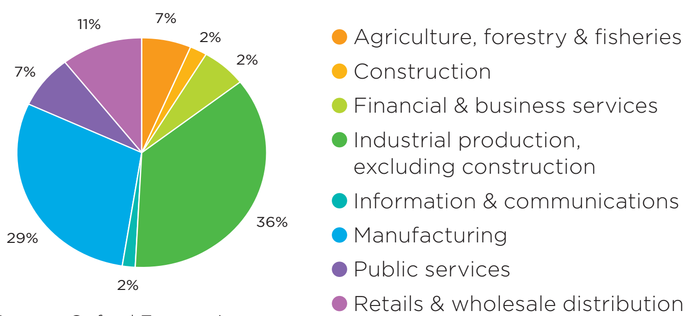
DHL Express Customs tip:

When shipping personal items or items for exhibition to Thailand, the recipient must provide a copy of their passport or Thai identification card to register with Thai Customs for clearance. The Deminimus value is 1,000 THB and duties and taxes are calculated using the cost, insurance and freight (CIF) value. Imports of products such as food, cosmetics and medical items may require an import licence from the Food and Drug Administration (FDA).

There are four categories for Customs Clearance in Thailand:
1) Documents = Informal Clearance
2) Shipments under 1,000 THB = Informal Clearance
3) Shipments under 40,000 THB = Informal Clearance
4) Shipments over 40,000 THB = Formal Clearance

Sector segmentation growth

Forecast for Thailand’s industrial structure (2021) - Output, value-added, real, % of GDP



Source: Oxford Economics

Sectors to watch:

- Utilities
- Motor vehicles
- Beverages

Manufacturing

- Electronic components
- Machine tools

Opportunities for UK businesses

Thailand’s economic growth has created opportunities for British businesses in a number of infrastructure sectors, including electrical power, telecommunications, and renewable energy. Opportunities for UK businesses also exist in cosmetics, security equipment, food supplements, educational services, automotive accessories, defence equipment, broadcast equipment, food processing and packaging equipment and environmental technology.

Hong Kong

Capital: None, as Hong Kong is a Special Administrative "Region" of China
Administrative divisions: 18 districts
Currency: Hong Kong dollar (HKD)
Area: 1,104 km^2
Population: (2012) 7,061,200
Calling code: +852
Official language: English, Mandarin Chinese, Cantonese

Ease of trading across borders
Importing a standard container of goods into Hong Kong requires

4 DOCUMENTS

5 DAYS

£350

Source: The World Bank, Trading Across Borders: Doing Business 2013

Hong Kong, a major trading and financial hub in Asia, is also an important gateway into the Chinese market and the rest of Asia. It is a major capitalist service economy characterised by low taxation and free trade. The economy has been moving up the value chain, shifting towards higher value-added services and more knowledge-based activities. Hong Kong has its own government and legal system that strongly differentiates it from the People's Republic of China. The Hong Kong dollar is the eighth most traded currency in the world, according to the Bank of International Settlements.

Economic snapshot (% annual growth rate)

	2011	2012	2013-16
GDP	4.9	1.5	3
Export of goods and services	4.8	2.6	7.6
Import of goods and services	5.6	3.6	8
Inflation	5.3	4.7	2.9
Short-Term interest rates (%)	0.4	0.4	0.7
Exchange Rate (Per £)	12.01	12.23	11.62
Population	0.7	0.7	0.7
Unit labour cost	-3.6	2.6	-2.7

Source: Oxford Economics

Economic outlook
Hong Kong's economy grew moderately by 2.9% in the second quarter of 2013 compared to the previous quarter. Domestic demand continued to drive growth, while the external sector was still constrained by an unsteady global economic environment. The domestic sector is expected to remain resilient, with local consumption supported by favourable job and income conditions. Ongoing infrastructure works and a thriving inbound tourism should provide support to the local economy. Hong Kong's GDP growth forecast for 2013 is 3.1% with 4% in 2014.

Trade outlook
China will remain the most important trade partner in the medium term. However, as Hong Kong begins to geographically diversify its trade patterns, exports to China are expected to slow. A number of large developed economies, such as Japan, the US and Germany will continue the trade flowing through Hong Kong. However, these economies will not be the main drivers of future growth. Rather, emerging Asia will be the most dynamic source of growth in goods trade for Hong Kong. Exports to Vietnam, India, the Middle East and North Africa region are expected to provide Hong Kong with new opportunities for growth.

SWOT analysis

Strengths
Leading financial hub.
Strategically located for business in Asia.
Strong infrastructure.

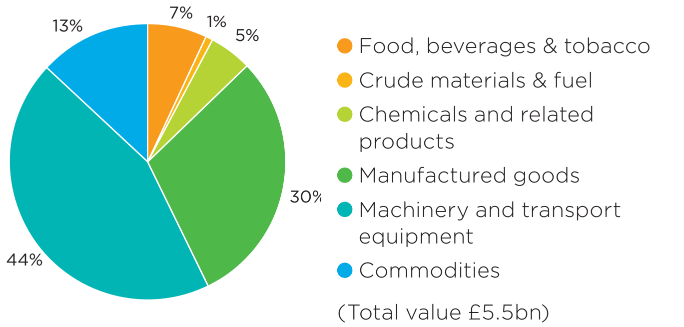
Weaknesses
High labour costs.
Limited land and space.

Opportunities
Low-and-simple-tax regime.

Threats
Slowdown in China.

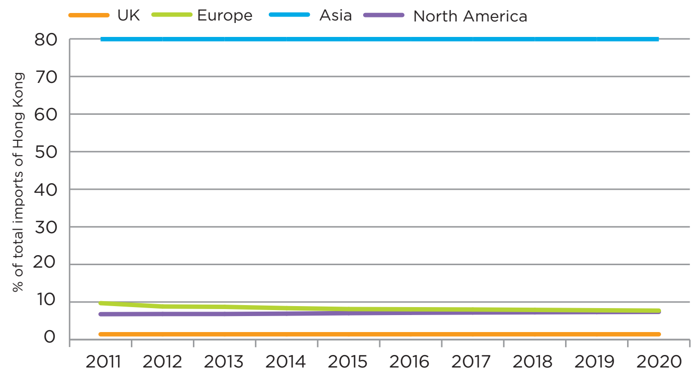
Hong Kong's trade with the UK

UK exports to Hong Kong (2012) - by major product groups



Source: Eurostat

How UK exports to Hong Kong compare



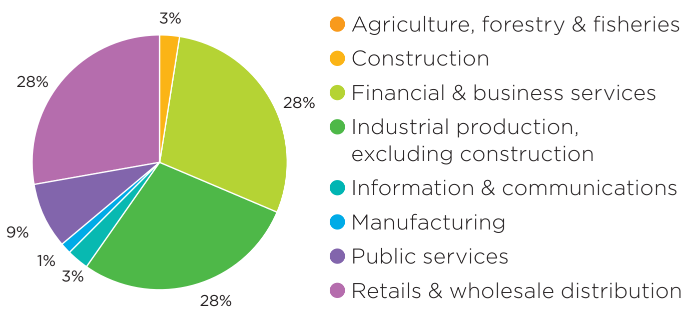
Source: Oxford Economics

DHL Express Customs tip:

Hong Kong is a free port and therefore does not levy any duty on imports or exports and does not charge sales tax or other import charges. However, there are regulations on shipping certain items. For example, when shipping textiles, the invoice must indicate the HS code, dimensions, quantity, type and composition of the product. Leather goods must state the type of leather and commodity. A licence is also required to import certain commodities into Hong Kong, including telecommunication equipment, alcohol, tobacco and fabrics manufactured in Mainland China.

Sector segmentation growth

Forecast for Hong Kong's industrial structure (2021) - Output, value-added, real, % of GDP



Source: Oxford Economics

Sectors to watch:

- Electronics & components
- Utilities
- Computers & office equipment

Manufacturing

- Aerospace, ships
- Repair & installation of machinery

Opportunities for UK businesses

With £29 billion of investment scheduled until 2016 across a number infrastructure projects, Hong Kong offers great opportunities for UK businesses. The infrastructure projects in particular offer opportunities in design, engineering, and construction related services as well as a vast array of supply chain opportunities for small and medium-sized firms. Other sectors that offer great opportunity include healthcare and green sectors.

Poland

Capital: Warsaw
Largest city: Warsaw
Administrative divisions: 16 counties
Currency: Złoty (PLN)
Area: 312,679 km^2
Population: (2010) 38,544,513
Calling code: +48
Official language: Polish

Ease of trading across borders

Importing a standard container of goods into Poland requires

5 DOCUMENTS

16 DAYS

£637

Source: The World Bank, Trading Across Borders: Doing Business 2013

Currently, Poland has one of the fastest-growing economies in the EU. Having a strong domestic market, low private debt, a flexible currency, and not being dependent on a single export sector, Poland is the only European economy to have avoided the recession of 2009. Although the Polish economy is currently undergoing rapid economic development, there are many challenges ahead. The most notable task on the horizon is the preparation to meet the strict economic criteria for entry into the Eurozone. According to the Polish foreign minister the country could join the Eurozone before 2016.

Economic snapshot (% annual growth rate)

	2011	2012	2013-16
GDP	4.5	2.0	2.6
Export of goods and services	7.9	1.9	5.6
Import of goods and services	5.5	-1.8	4.6
Inflation	4.2	3.7	2.1
Short-Term interest rates (%)	4.8	3.9	3.5
Exchange Rate (Per £)	5.28	4.89	4.86
Population	0.4	0.1	0
Unit labour cost	-4.2	-3.6	1.4

Source: Oxford Economics

Economic outlook

According to the preliminary estimate, GDP grew by 0.4% on the quarter in Q2. The recent improvement in conditions has centred on the manufacturing sector, with Polish firms taking advantage of the slightly less depressed situation in the Eurozone. Modest upward revisions to back data, together with recent positive surprises from the latest monthly indicators, have raised the forecast for growth in 2013 to 1.1% (from 0.9% previously) and to 2.4% in 2014.

Trade outlook

The bulk of Poland's goods exports will continue to be bought by large European countries like Germany, France and the UK as a result of the EU single market. However, although they are likely to remain a small proportion of total exports, the most dynamic trade relations will be with emerging Asia. This is forecast to be the case both in the short term, as the Asian economy recovers from its recent slowdown. China is anticipated to displace the US's position among Poland's principal non-EU export destinations in the longer term.

SWOT analysis

Strengths
Strong GDP growth.

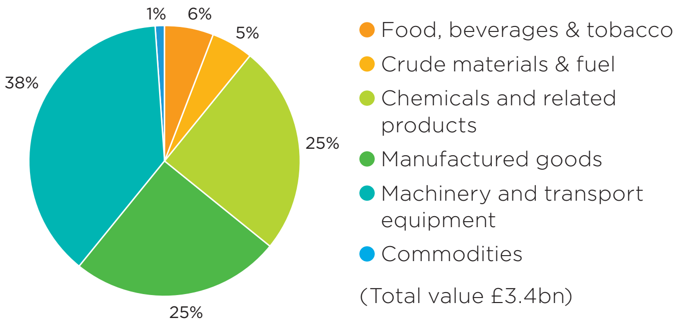
Weaknesses
Lack of transparency in government regulation.
High inflation.

Opportunities
Infrastructure development.

Threats
Deepening of the Eurozone crisis.

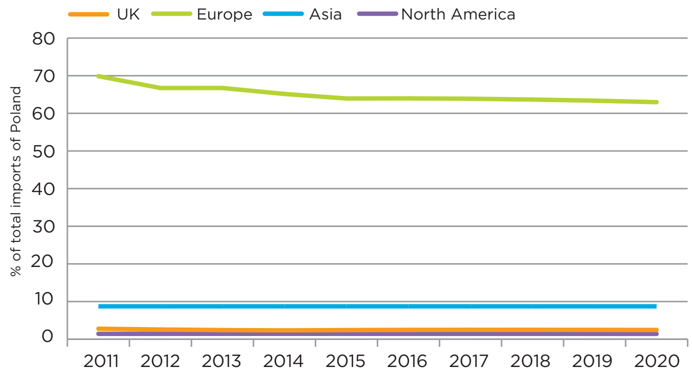
Poland's trade with the UK

UK exports to Poland (2012) - by major product groups



Source: Eurostat

How UK exports to Poland compare



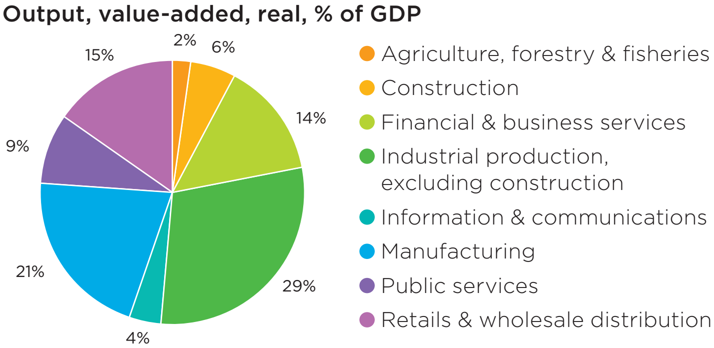
Source: Oxford Economics

DHL Express Customs tip:

Trading within the European Union is a simple process due to the free trade agreement that allows goods to cross country borders without charges being applied. Located at the heart of Europe, and as a member of General Agreement on Tariffs and Trade (GATT), the World Trade organization (WTO) and the European Union, there is no customs clearance required in Poland and goods can move in or out freely, between any EU country.

Sector segmentation growth

Forecast for Poland's industrial structure (2021) - Output, value-added, real, % of GDP



Source: Oxford Economics

Sectors to watch:

- Food
- Utilities
- Metal products

Manufacturing

- Computers & office equipment
- Medical & surgical equipment

Opportunities for UK businesses

One of the main reasons why investors tend to choose Poland is its location at the very heart of continental Europe, part of the trans-European road network and easy access to 250 million consumers within a radius of 1000 kilometres. Poland is a significant market of 38 million consumers offering opportunities for UK businesses in particular opportunities within the following sectors, engineering, electronics, software, life sciences, transport, retail, food and environmental sectors.

United Arab Emirates (UAE)

Capital: Abu Dhabi
Largest city: Abu Dhabi
Administrative divisions: 7 Emirates
Currency: UAE dirham (AED)
Area: 83,600 km^2
Population: (2012) 8,264,070
Calling code: +971
Official language: Arabic

Ease of trading across borders
Importing a standard container of goods into the UAE requires

5 DOCUMENTS
7 DAYS
£366

Source: The World Bank, Trading Across Borders: Doing Business 2013

The UAE comprises of seven Emirates namely, Dubai, Abu Dhabi, Sharjah, Fujairah, Ras Al-Khaimah, Umm Al-Quwain and Ajman, each having its own rules and regulations. A massive construction boom, an expanding manufacturing base, and a thriving services sector are helping the UAE diversify its economy. Nationwide, there is currently $350 billion worth of active construction projects. The UAE's strategic plan for the next few years focuses on diversification and creating more opportunities for nationals through improved education and increased private-sector employment.

Economic snapshot (% annual growth rate)

	2011	2012	2013-16
GDP	3.9	4.4	3.9
Export of goods and services	19.7	10.1	5.1
Import of goods and services	18.7	16.6	9.5
Inflation	0.9	0.7	9.6
Exchange Rate (Per £)	5.68	5.80	5.50
Population	2.3	2.2	2
Unit labour cost	5.0	5.8	19

Source: Oxford Economics

Economic outlook
The UAE's economic growth may slow to 3.4% this year from 3.9% in 2012. The budget surplus will remain at 5.7% of GDP. About 80% of the nation's revenues are generated by hydrocarbon-related industries. The risks of the region being affected by the external situations fell substantially, thanks to the robust growth of the non-oil economic sectors and the successful efforts of Dubai and Abu Dhabi to diversify the base of economic growth.

Trade outlook
The UAE's exports will continue to be dominated by petroleum and related products, with exports forecast to grow strongly to rapidly growing emerging markets that are heavy energy consumers such as India and China. Turkey and Poland will continue to post good export growth. In addition to the main Asian economies, UAE exports will also rise strongly to those economies with large populations and with an associated heavy demand for energy, including Brazil and Egypt. On the import side, India and Turkey will be the two fastest-growing trade partners.

SWOT analysis

Strengths
Hydro-carbon rich country.
Dubai International Financial Centre.

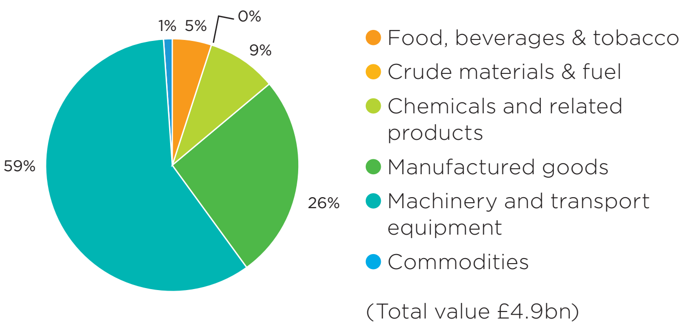
Weaknesses
Dependence on oil.
Inflation pressures.

Opportunities
Enterprise free zones - goods for re-export or transhipment enjoy a 100% duty exemption.

Threats
Oil price changes.
High government debt.

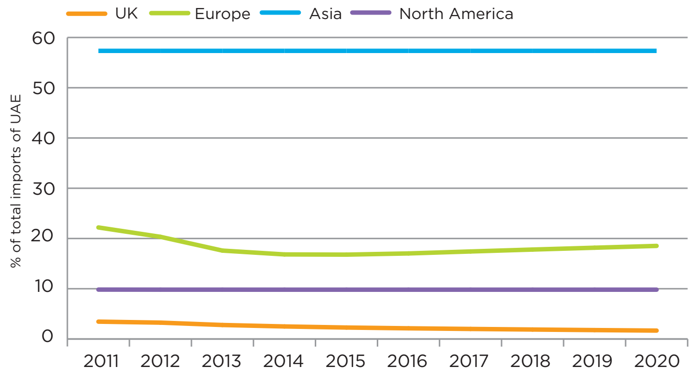
UAE's trade with the UK

UK exports to the UAE (2012) - by major product groups



Source: Eurostat

How UK exports to the UAE compare



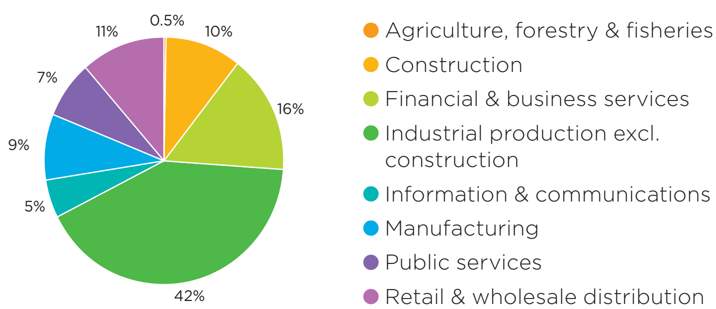
Source: Oxford Economics

DHL Express Customs tip:

When importing into the United Arab Emirates (UAE), there is no sales tax applicable. However, commercial importers must provide their importer code for Customs clearance and a certificate of origin is required for shipments with a declared value above 50,000 AED. The Deminimus value is 270 USD (1,000 AED), with the valuation calculated using the cost, insurance and freight (CIF) value. This means that the import duty and taxes payable are calculated on the complete shipping value. Invoices must show tariff codes, a detailed description and the country of origin, plus original invoices are mandatory for shipments delivered to Dubai free zone addresses.

Sector segmentation growth

Forecast for UAE's industrial structure (2021) - Output, value-added, real, % of GDP



Source: Oxford Economics

Sectors to watch:

- Extraction
- Utilities

Manufacturing

- Electrical equipment
- General purpose machinery

Opportunities for UK businesses

The UAE offers unique investment opportunities, with a wide range of financial incentives to international investors. Each of the seven Emirates possesses unique economic features, and the ability to attract foreign investments in various sectors. Particular sectors of opportunity for UK businesses include: renewable energy, pharmaceutical, education and knowledge industries, technology, financial services, electronics and engineering.

Colombia

Capital: Bogotá, D.C.
Largest city: Bogotá, D.C.
Administrative divisions: 32 departments
Currency: Peso (COP)
Area: 1,141,748 km^2
Population: (2012) 47,072,915
Calling code: +57
Official language: Spanish

Ease of trading across borders
Importing a standard container of goods into Colombia requires

6 DOCUMENTS

13 DAYS

£1750

Source: The World Bank, Trading Across Borders: Doing Business 2013

Colombia's consistently sound economic policies and aggressive promotion of free trade agreements in recent years has helped the economy grow. Colombia depends heavily on oil exports, making it vulnerable to a drop in oil prices. Principal trading partners are the US, the European Union, Venezuela and China. Although Colombia still faces challenges, including infrastructure deficiencies and income inequality, the country of 47 million people boasts a growing economy with investment grade status and a rising middle class.

Economic snapshot (% annual growth rate)

	2011	2012	2013-16
GDP	6.6	4	3.9
Export of goods and services	12.9	5.3	3.1
Import of goods and services	21.2	8	4.3
Inflation	3.4	3.2	3
Exchange Rate (Per £)	3003.61	2795.41	3364.64
Population	1.3	1.3	1.2
Unit labour cost	-0.5	-4.9	-2.0

Source: Oxford Economics

Economic outlook
Colombia's economy picked up speed from Q1; with the central bank recently estimating growth was around 3.4% in Q2, based on rising output of oil, minerals and coffee. Consumer confidence and retail sales also improved in the period. The economy was affected by falling oil prices in the first half of the year, but will be supported by an increase in government spending. Steady progress is expected for the rest of the year with growth of 3.2% forecasted for this year and 4% in 2014.

Trade outlook
Colombian exports have grown rapidly in recent years, boosted by a combination of more external markets and significant increases in the sales of raw materials such as oil and coal. Furthermore, measures taken by Colombia in foreign trade, through free-trade agreements concluded in the past and being negotiated now, are steps in the right direction. Latin America and the Caribbean are prominent trade partners, with the US, Spain and Portugal also featuring highly.

SWOT analysis

Strengths
Sound financial policies.
Oil exports.

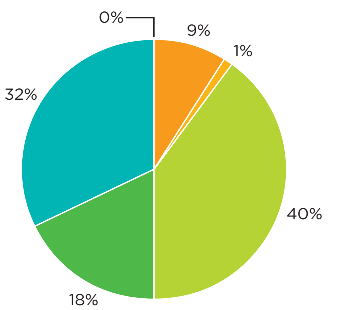
Weaknesses
Vulnerability to international commodity prices.
Unemployment.

Opportunities
Free trade agreements.

Threats
Poor infrastructure.
Internal security.

Colombia's trade with the UK

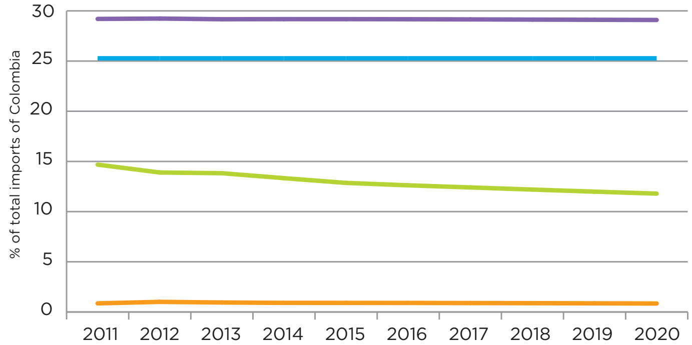
UK exports to Colombia (2012) - by major product groups



(Total value £0.3bn)

Source: Eurostat

How UK exports to Colombia compare



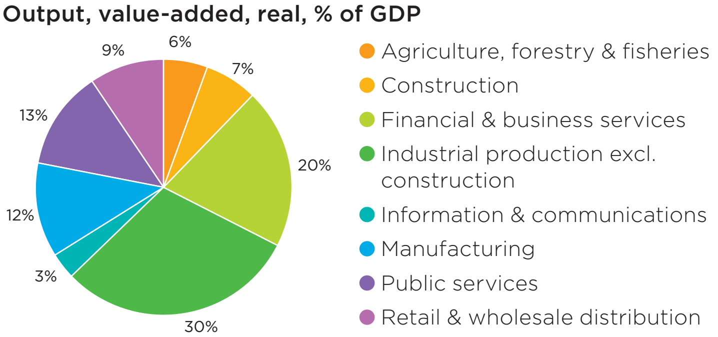
Source: Oxford Economics

DHL Express Customs tip:

Colombian Customs require all invoices to be declared in USD. Importers must be registered under the Registro Único Tributario (RUT) and as there is no minimum threshold in Colombia, duties and taxes are levied on all imports, regardless of their value. The commercial invoice must declare the complete shipper and recipient details, Incoterms® 2010 rules, currency of origin, date and invoice number.

Sector segmentation growth

Forecast for Colombia's industrial structure (2021) - Output, value-added, real, % of GDP



Source: Oxford Economics

Sectors to watch:

- Food
- Refined petroleum products
- Utilities

Manufacturing

- Medical & surgical equipment
- Shipping

Opportunities for UK businesses

Given Colombia's expanding energy sector and a number of major infrastructure projects coming on line, many opportunities exist for UK businesses. Colombia has more than doubled its spending on transportation infrastructure from $1.6 billion in 2010 to $3.3 billion in 2012, and aims to reach 3% of GDP, or approximately $10 billion, by 2014. A broader infrastructure development programme will create enormous opportunities for companies involved in the construction of highways, ports, and airports.

South Korea

Capital: Seoul
Largest city: Seoul
Administrative divisions: 8 provinces
Currency: South Korean won (KRW)
Area: 100,210 km^2
Population: (2012) 50,004,441
Calling code: +82
Official language: Korean

Ease of trading across borders

Importing a standard container of goods into South Korea requires

3 DOCUMENTS

7 DAYS

£432

Source: The World Bank, Trading Across Borders: Doing Business 2013

Over the past four decades South Korea has demonstrated incredible growth and global integration to become a high-tech industrialised economy. In 2004, South Korea joined the trillion-dollar club of world economies, and is currently the world's twelfth largest economy. Following the Asian financial crisis South Korea adopted numerous economic reforms, including greater openness to foreign investment and imports. The South Korean economy's long-term challenges include a rapidly ageing population, inflexible labour market, and a heavy reliance on exports.

Economic snapshot (% annual growth rate)

	2011	2012	2013-16
GDP	3.7	2.0	3.2
Export of goods and services	9.1	4.2	7
Import of goods and services	6.1	2.5	7.3
Inflation	4.0	2.2	2.3
Short-Term interest rates (%)	3.6	2.9	3.6
Exchange Rate (Per £)	1780.80	1689.41	1668.98
Population	0.3	0.3	0.2
Unit labour cost	-1.2	-1.1	0.3

Source: Oxford Economics

Economic outlook

GDP growth exceeded expectations in Q2, rising by 1.1%, the largest increase in over two years. The rise was driven by a surge in spending by the new government. Export volumes increased modestly but at a faster pace than imports. While the economy is being supported by expansionary monetary and fiscal policy, as well as low inflation, it is currently being held back by subdued global trade flows, high levels of uncertainty, weak business investment and low levels of consumer spending. However, over time these headwinds will gradually ease, with growth of 2.2% expected this year.

Trade outlook

South Korea's export-driven economy has recently been hit by sluggish demand from debt-hit Europe and its biggest trading partner China. Exports unexpectedly shrank year-on-year for two straight months in March and April. Despite recent improvement the Chinese economic outlook is weaker than six months ago. This implies weaker prospects for regional trade.

SWOT analysis

Strengths
Fourth-largest economy in Asia.
Export driven.

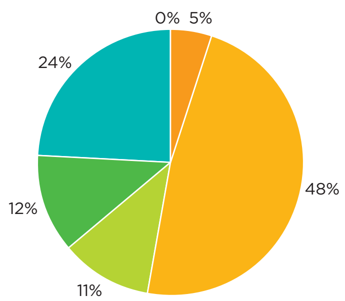
Weaknesses
Ageing population.
Inflexible labour markets.

Opportunities
Production focused on electronics, automobiles, ships, machinery, petrochemicals and robotics.

Threats
North/South relations.

South Korea's trade with the UK

UK exports to South Korea (2012) - by major product groups

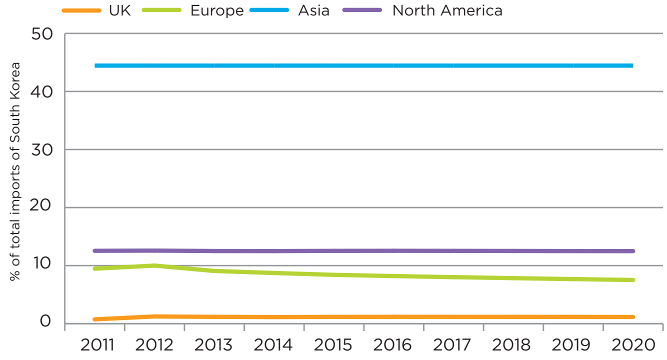


- Food, beverages & tobacco
- Crude materials & fuel
- Chemicals and related products
- Manufactured goods
- Machinery and transport equipment
- Commodities

(Total value £4.5bn)

Source: Eurostat

How UK exports to South Korea compare



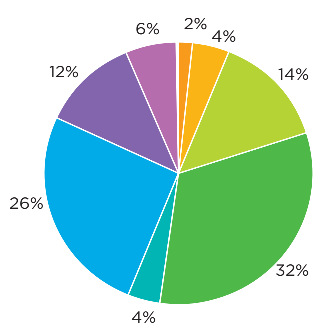
Source: Oxford Economics

DHL Express Customs tip:

The UK has a free trade agreement with South Korea that allows certain products to be cleared with a reduced or full duty exemption. In general, shipments with a product cost, insurance and freight (CIF) value up to KRW 150,000 are exempt from duty and VAT, if the total cost is above this, charges will be applied. If a shipment exceeds USD 2,000, South Korean Customs will require an explanation letter from the recipient to explain the purpose of the import.

Sector segmentation growth

Forecast for South Korea's industrial structure (2021) - Output, value-added, real, % of GDP



- Agriculture, forestry & fisheries
- Construction
- Financial & business services
- Industrial production excl. construction
- Information & communications
- Manufacturing
- Public services
- Retail & wholesale distribution

Source: Oxford Economics

Sectors to watch:

- Utilities
- Iron & steel

Manufacturing

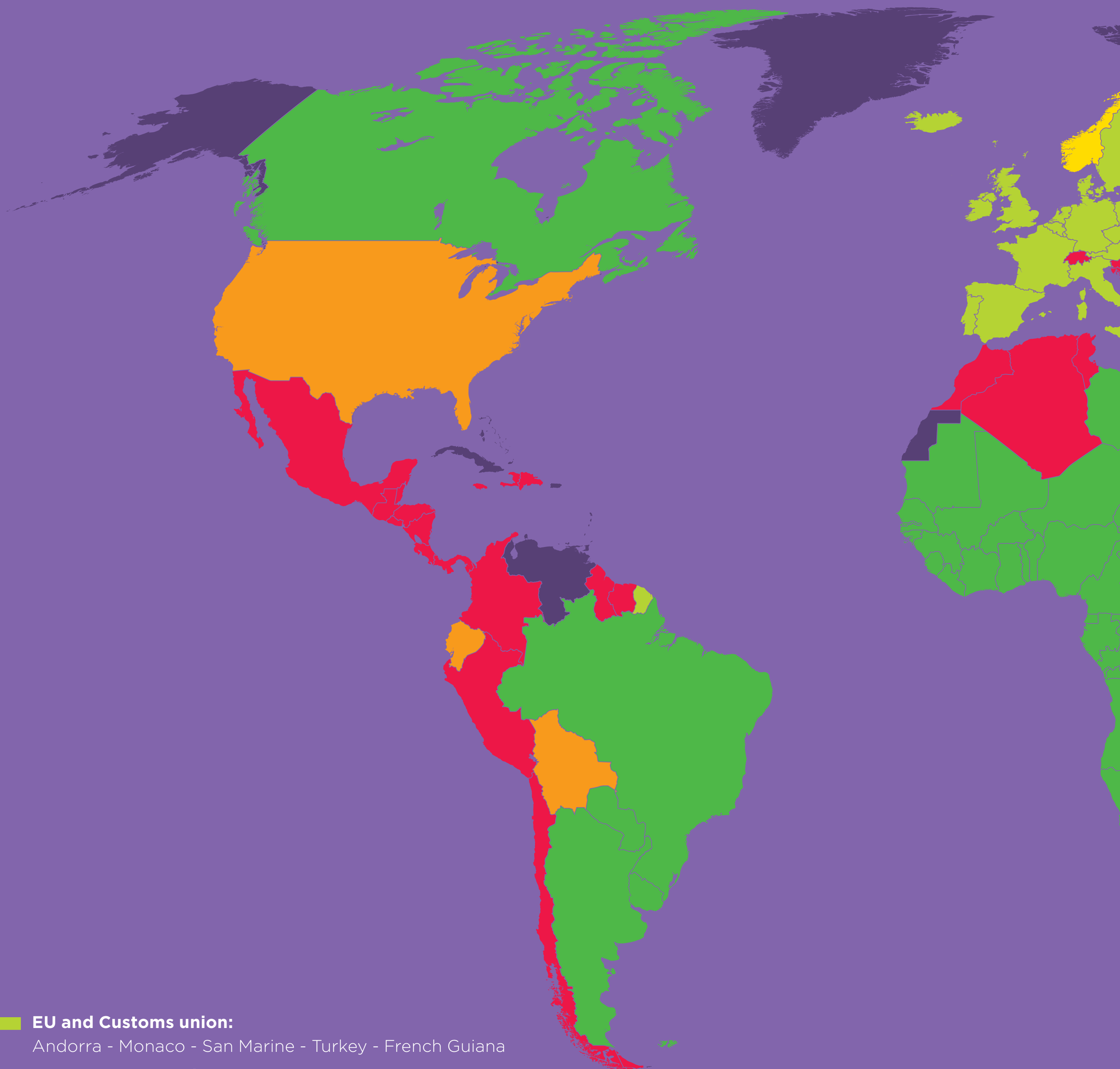
- Aerospace
- Electronics

Opportunities for UK businesses

South Korea's 50 million strong domestic population offers UK businesses numerous and varied opportunities. The opportunities lie within financial and legal services, food and drink (whisky and other alcoholic beverages), pharmaceuticals, high-end fashion and textiles and construction.

Overview of trade agreements

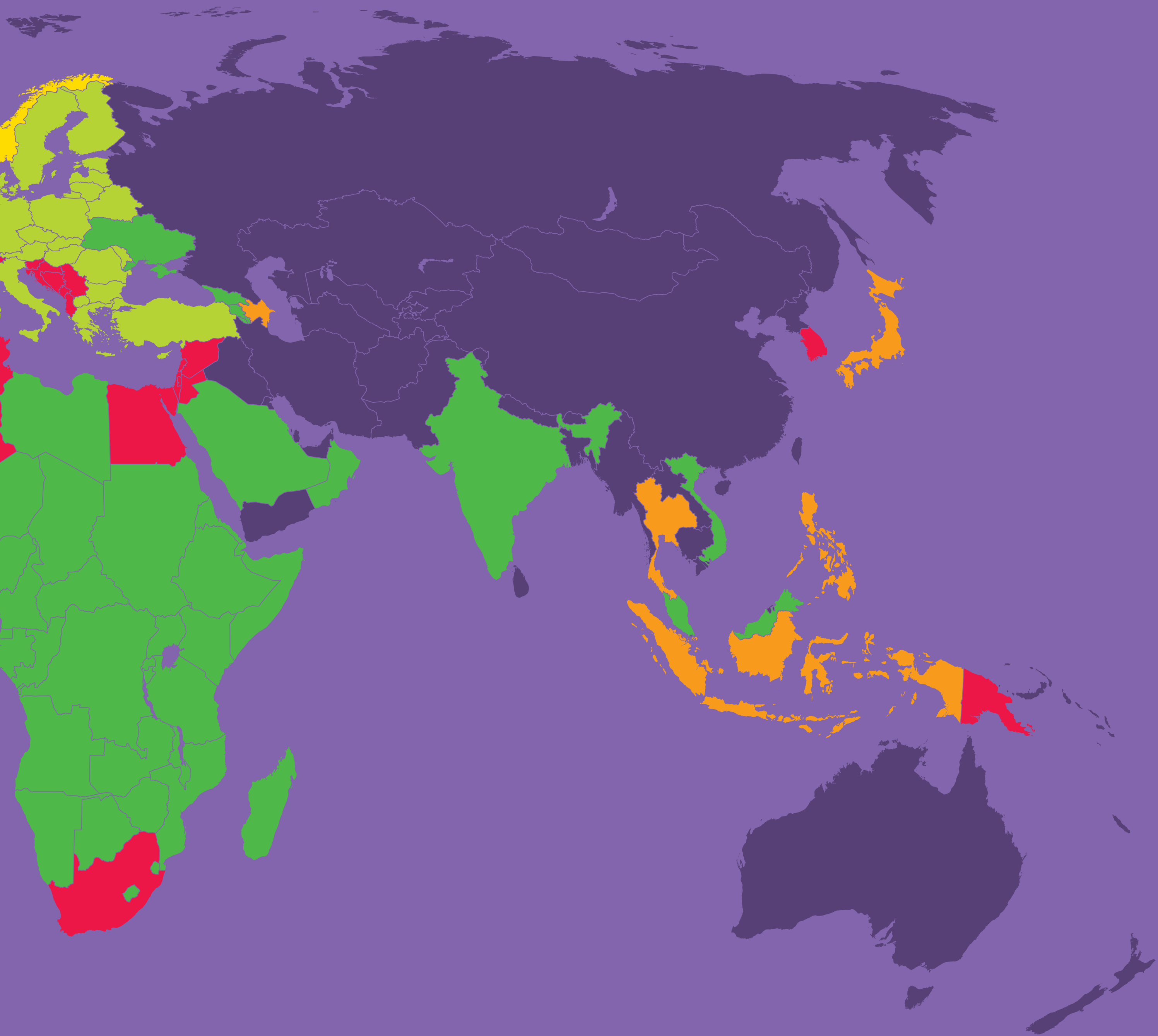
Source: European Commission



EU and Customs union:
Andorra - Monaco - San Marine - Turkey - French Guiana

European Economic Area:
Norway - Iceland - Lichtenstein

Countries with which the EU has concluded preferential trade agreements:
Mexico - Chile - Colombia - Peru - Costa Rica - El Salvadore - Guatemala - Nicaragua - Honduras - Morocco - Algeria - Tunisia - Egypt - Jordan - Israel - Occupied Palestinian Territory - Lebanon - Syria - Former Yugoslav Republic of Macedonia - Albania - Serbia - Montenegro - Bosnia-Herzegovina - Croatia - Switzerland - South Africa - Republic of Korea (South Korea) - Antigua* - Barbuda* - Belize* - Bahamas* - Barbados* - Dominica* - Dominican Republic* - Granada* - Guyana* - Haiti* - Jamaica* - Papua New Guinea* - St Kitts and Nevis* - St Lucia* - St Vincent and the Grenadines* - Seychelles* - Suriname* - Trinidad and Tobago*



Countries with which the EU is currently negotiating preferential trade agreements:
Canada - India - Singapore - Malaysia - Ukraine - Brazil - Argentina - Uruguay - Paraguay - Saudi Arabia - Botswana* - Cameroon* - Ivory Coast* - Kuwait - Qatar - United Arab Emirates - Fiji* - Oman - Bahrain - Libya - Cook Islands* - Kiribati - Lesotho* - Swaziland* - Madagascar* - Mauritius* - Mozambique* - Marshall Islands* - Micronesia* - Nauru* - Samoa* - Solomon Islands* - Timor Leste* - Tonga* - Tuvalu* - Vanuatu* - Angola* - Namibia* - Comoros* - Djibouti* - Eritrea* - Etheopia* - Malawi* - Sudan* - Zambia* - Burundi* - Kenya* - Rwanda* - Uganda* - Tanzania* - Central African Republic* - Chad* - Congo* - Democratic Republic of Congo* - Equatorial Guinea* - Gabon* - Sao Tome and Principe* - Benin* - Burkina Faso* - Cape Verde* - Gambia* - Ghana* - Guinea* - Guinea-Bissau* - Liberia* - Mali* - Mauritania* - Niger* - Nigeria* - Senegal* - Sierrra Leone* - Togo* - Zambia* - Zimbabwe* - Vietnam - Moldova - Armenia - Georgia

Countries with which the EU is considering opening preferential negotiations:
Japan - Azerbaijan - Brunei Darussalam - Indonesia - Philippines - Thailand - Ecuador - Bolivia - United States of America

*Economic partnership agreements

Case study: 'Our export journey'

EXPORTING IS GOOD FOR BRITAIN

Accredited Chambers of Commerce are Britain's export hubs. Chambers of Commerce are the premier source of private sector, business-to-business, support for international trade and export. They work with government agencies, such as UKTI, to ensure companies get the best possible advice and help. And it's working. Amongst Chamber members, 22% were exporting in 2011, 32% in 2012, and 39% in 2013.

This section brings together the experiences of businesses who have embarked on their export journey. It gives a snapshot of some of the challenges they faced when trying to expand their business's share of exports or enter new markets.

Barbour

Barbour designs, manufactures and markets clothing for men, women and children under the Barbour brand. Founded in 1894 by John Barbour in South Shields, England, as an importer of oil cloth, J. Barbour and Sons Ltd. has become well known for its waxed cotton outdoor jackets and more recently as a lifestyle brand offering a wardrobe of clothes including knitwear, shirts, trousers, footwear and accessories.

Steve Buck Managing Director
Member of **North East Chamber of Commerce**

Trading internationally

"The Barbour story began in 1894 in South Shields in the North East of England. From the beginning, Barbour sold goods internationally. In 1908, the company's first mail order catalogue was produced, selling products around the world including Argentina, Hong Kong, Newfoundland and New Zealand. Barbour is now sold in over 40 countries worldwide, including Europe, the US and Japan. Today international sales account for over 40% of the business. Germany is Barbour's second largest market and the company has a strong presence in other European countries including Italy, Spain, France, Portugal and Greece. In August 2013, Barbour opened its first store in Tokyo and the business continues to develop in Japan, Taiwan and Korea, increasing by 50% in every year Barbour explores the Asian market."

Advice on exporting

"**Do your research:** Always research your target market to help give you a better understanding of the business habits and rules of the market and the opinion of local experts. Every market is different, and you need to be sensitive to local ways of doing business - respecting differences even across different regions of the same country. Lack of awareness of local cultural norms can impede the development of a business relationship.

Talk to the export experts: Exporting can seem like a complex subject. Our advice would be to find your local Chamber. Being part of your local Chamber will expose you to a wide range of export services, support and impartial advice. They run hundreds of events and trade missions annually and also provide nationally recognised export training courses."

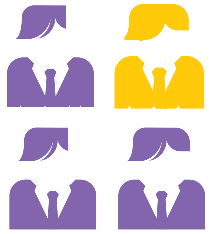
To find out how your local Chamber can help you on your export journey, visit www.exportbritain.org.uk or join the conversation on Twitter: get #wellconnected and #joinyourchamber.

Potential exporters have ambitions to grow

The British Chambers of Commerce (BCC) 2013 annual international trade survey, to which 4,626 businesses responded.

44%

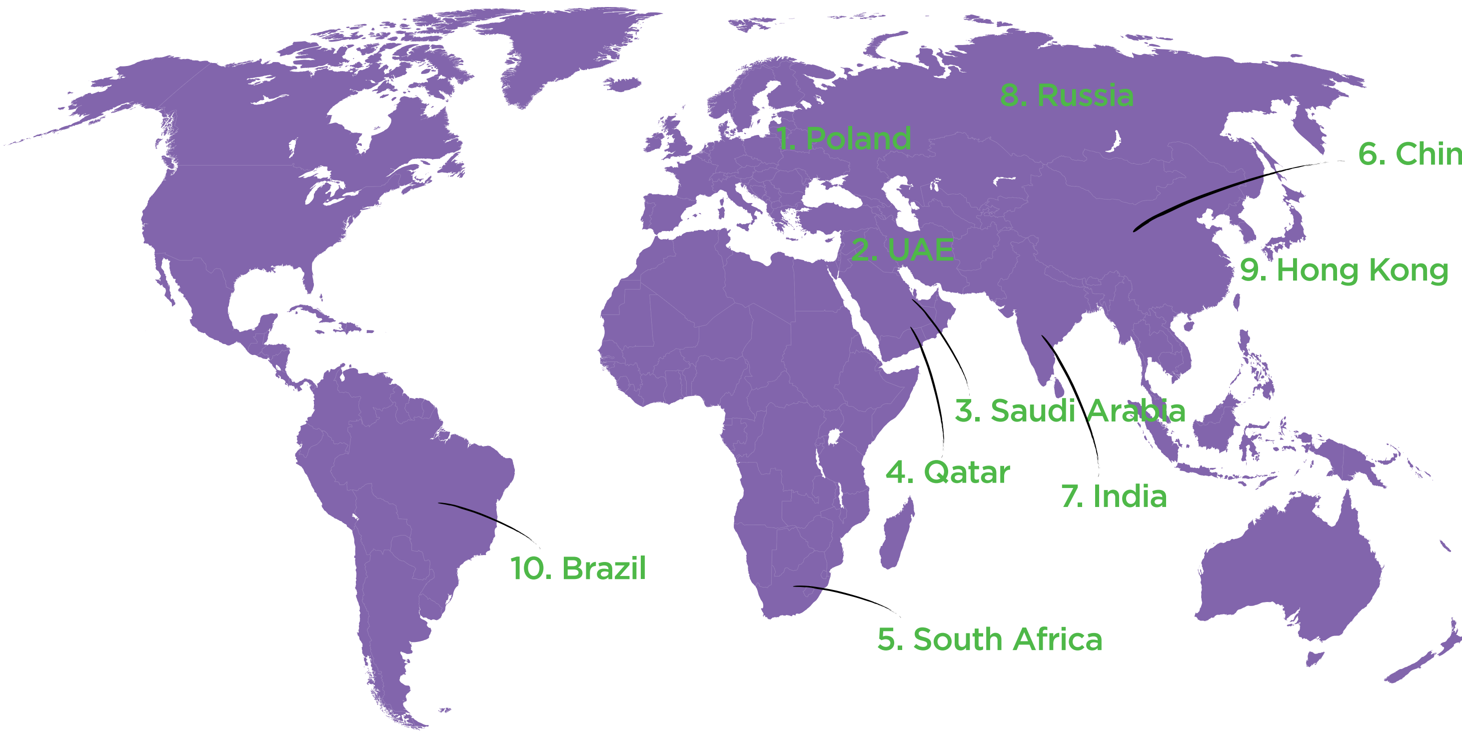
of Chamber members have ambitions to grow sales internationally in the next 12 months



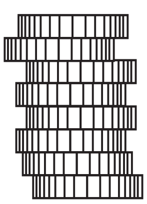
1/4

Currently adapting product/service range to specifically target overseas customers

Top 10 countries potential[1] exporters would consider exporting to:



Barriers and influential factors that potential exporters face when deciding if and where to export:



77%

of potential exporters say cashflow & payment risk is influential when deciding to export

68%

of potential exporters say availability of export information & support services is influential

38%

said being part of an international business/ group does influence their decisions when exporting

[1]Potential exporters are classified as businesses that do not currently export, and/or are actively considering exporting/planning to do so in the near future.

TCI Methodology

The TCI generates its results from two data sources:

• Questionnaire responses submitted by over 2,000 exporters, derived from the BCC's Quarterly Economic Survey (QES). The QES is the largest and most representative business survey of its kind.

• Data generated from exporting activity that requires supporting documentation.

Quarterly Economic Survey (QES)

Fieldwork for the survey was conducted between 26 August to 16 September 2013.

Results are split into the following firm size categories:

0-9 employees (micro firms)

10-49 employees (small firms)

50-249 employees (medium firms)

50+ employees (large firms)

Unless otherwise stated, results refer to all exporters responding to the survey. Where results are split between the service and manufacturing sectors, this is stated clearly in the text. Results that are not split by firm size are weighted by the contribution of firm size to total exporting turnover.

Results are represented by either a balance figure or a pure percentage figure. Balance figures are determined by subtracting the percentage of companies reporting decreases in a factor from the percentage of companies reporting increases. Where a balance figure is positive it represents growth; where it is negative, it represents contraction.

Export documentation data

Many types of exports require supporting and commercial documentation to ensure the timely delivery of goods and timely payment. Chambers of Commerce administer documentation required for exports outside the EU and have amassed a significant dataset around UK goods exports as a result. The TCI uses data collected from this process to show both an index of documentation and regional comparisons of exporting activity.

About Oxford Economics

Oxford Economics was founded in 1981 to provide independent forecasting and analysis tailored to the needs of economists and planners in government and business. It is now one of the world's leading providers of economic analysis, advice and models, with over 300 clients including international organisations, government departments and central banks around the world, and a large number of multinational blue-chip companies across the whole industrial spectrum.

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