

**GROWTH ECONOMIC DEVELOPMENT AND
COMMUNITIES CABINET COMMITTEE**

Tuesday, 1st December, 2015

10.00 am

**Darent Room, Sessions House, County Hall,
Maidstone**



AGENDA

GROWTH ECONOMIC DEVELOPMENT AND COMMUNITIES CABINET COMMITTEE

Tuesday, 1 December 2015 at 10.00 am
Darent Room, Sessions House, County Hall,
Maidstone

Ask for: **Christine Singh**
Telephone: **03000 416687**

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

Membership (13)

Conservative (8): Mr M A Wickham (Chairman), Mr S Holden (Vice-Chairman),
Mr A H T Bowles, Mr D L Brazier, Miss S J Carey,
Mr J A Kite, MBE, Mr G Lymer and Mr C Simkins

UKIP (2) Mr M Baldock and Mr F McKenna

Labour (2) Mrs E D Rowbotham and Mr R Truelove

Liberal Democrat (1): Mr B E Clark

Webcasting Notice

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By entering into this room you are consenting to being filmed. If you do not wish to have your image captured please let the Clerk know immediately

UNRESTRICTED ITEMS

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

A - Committee Business

A1 Introduction/Webcast announcements

A2 Apologies and Substitutes

To receive apologies for absence and notification of any substitutes present

A3 Declarations of Interest by Members in items on the Agenda

To receive any declarations of interest made by Members in relation to any matter on the agenda. Members are reminded to specify the agenda item number to which it refers and the nature of the interest being declared

A4 Minutes of the meeting held on 15 September 2015 (Pages 7 - 18)

To consider and approve the Minutes as a correct record

A5 PRESENTATION

Proposed Stone Hill Park Development - Paul Barber, Managing Director, Discovery Park.

A6 Verbal updates (Pages 19 - 20)

To receive verbal updates by the relevant Cabinet Members and the Corporate Director for the Growth, Economic Development and Communities on various topics.

B - Key or Significant Cabinet/Cabinet Member Decision(s) for Recommendation or Endorsement

B1 Folkestone Seafront Regeneration - Local Growth Fund grant (Pages 21 - 30)

To receive a report from the Cabinet Member for Economic Development and Corporate Director for Growth, Environment and Transport to consider and endorse or make recommendations to the Cabinet Member for Economic Development

B2 To approve a Deed of Variation to the Operator Agreement between KCC and Cyclopark Trust for the operation of the park. (Pages 31 - 42)

To receive a report by the Cabinet Member for Economic Development and Corporate Director for Growth, Environment and Transport on a proposed decision to enter into a Deed of Variation to the Operator Agreement for the Cyclopark Trust.

B3 Inward Investment Services procurement (Pages 43 - 62)

To receive a report by the Cabinet Member for Economic Development and Corporate Director for Growth, Environment and Transport that explains the process that has been followed, and provides an outline of the requirements that the County Council has asked prospective bidders to meet when submitting their proposals

B4 Innovation Investment Initiative: Local Growth Fund grant (Pages 63 - 100)

To receive a report by the Cabinet Member for Economic Development and Corporate Director for Growth, Environment and Transport that explains the i3 programme and sets out KCC's role.

C - Other items for comment/recommendation to the Leader/Cabinet Member/Cabinet or officers

C1 Developing future workforce skills in Kent and Medway (Pages 101 - 206)

To receive a report by the Cabinet Members for Economic Development, Cabinet Member for Education and Health Reform; and Corporate Directors for

Growth Environment and Transport and Education and Young People's Services that introduces the Workforce Skills Evidence Base and the Adult Learning Strategy.

C2 RGF Programmes and Framework for Monitoring Report (Pages 207 - 220)

To receive a report by the Cabinet Member for Economic Development and Director of Economic Development that provides an update on the allocation of funds to companies in the format previously agreed by the Growth, Economic Development and Cabinet Committee.

C3 Work Programme 2016 (Pages 221 - 228)

To receive a report by the Head of Democratic Services that gives details of the proposed work programme for this Cabinet Committee

D - Monitoring of Performance

D1 Performance Dashboard (Pages 229 - 238)

To receive a report by the Cabinet Members for Economic Development; and Community Services; and the Corporate Director of Growth, Environment and Transport on that shows progress made against targets set for Key Performance Indicators.

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, 23 November 2015

Please note that any background documents referred to in the accompanying papers maybe inspected by arrangement with the officer responsible for preparing the relevant report.

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KENT COUNTY COUNCIL

**GROWTH ECONOMIC DEVELOPMENT AND COMMUNITIES
CABINET COMMITTEE**

MINUTES of a meeting of the Growth Economic Development and Communities Cabinet Committee held in the Stour Room, Sessions House, County Hall, Maidstone on Tuesday, 15 September 2015.

PRESENT: Mr M A Wickham (Chairman), Mr S Holden (Vice-Chairman), Mr M Baldock, Mr A H T Bowles, Mr D L Brazier, Miss S J Carey, Mr B E Clark, Mr G Lymer, Mr F McKenna, Mrs E D Rowbotham, Mr C Simkins and Mr R Truelove

ALSO PRESENT: Mr M C Dance, Mrs S V Hohler, Professor Tony Lavender, Mrs A Songhurst, Mrs C Lynch and Mr A Garrett

IN ATTENDANCE: Mrs B Cooper (Corporate Director of Growth, Environment and Transport), Mr R Gill (Economic Policy and Strategy Manager), Mrs T Bruton (Head of Regeneration Projects), Mr R Fitzgerald (Performance Manager), Mrs J Doherty (Business Transformation and Programme Manager), Mrs G Lindemann (Film Officer), Mr M Riley (Economic Development Officer (Expansion East Kent Programme)), Mrs K Stewart (Deputy Director of Economic Development), Ms A Agyepong (Equalities and Diversity Manager), Miss K Phillips (Strategic Business Adviser - GET) and Ms C A Singh (Democratic Services Officer)

UNRESTRICTED ITEMS

95. Apologies and Substitutes
(Item A2)

No apologies for absence were received.

96. Declarations of Interest by Members in items on the Agenda
(Item A3)

No declarations of interest were received.

97. Minutes of the meeting held on 7 July 2015
(Item A4)

RESOLVED that the Minutes of the meeting held on 7 July 2015 were correctly recorded and that they be signed by the Chairman.

98. Future Meeting Dates 2016/17
(Item A5)

RESOLVED that the meeting dates for 2016/17 be noted as follows:

2016
Tuesday, 12 January

2017
Thursday, 19 January

Thursday, 3 March

Wednesday, 22 March

Tuesday, 17 May

Tuesday, 19 July

Wednesday, 12 October

Tuesday, 13 December

99. Verbal Updates
(Item A6)

1. The Cabinet Member for Economic Development, Mr Dance, advised that the disused private airport, Manston, in east Kent, was to be used as an emergency lorry park to provide a short-term solution when Operation Stack was enforced to help reduce pressure on the M20.

Mr Dance explained that RiverOak Aviation Associates and Thanet District Council were still in negotiations regarding the buildings on the site that would be subject to planning and a decision was awaited from Thanet District Council on the issue of a Compulsory Purchase Order for the Manston Site.

2. Mr Dance advised that Kent Life Science Network, Biogateway, an initiative from Locate in Kent, would be a collective business network at the gateway to Europe, offering skills and expertise in the biotech sector.

3. Mr Dance explained that the financial effect of Operation Stack on Kent Businesses was not known for the County and Europe. He pointed out that there was now a short term solution in place at the Manston site, which he considered put the County in a better place.

4. Mr Dance and Mrs Cooper responded to questions by Members as follows:

a) The clarification that the use of the Manston site was a sort term solution should Operation Stack be enforced was welcomed. As it was considered that this option would create gridlock on the M2, that was already congested, which would affect the Swale Community. Mrs Cooper explained that long term options were being considered and the government was keen for this to be in place by next Easter.

The Cabinet Committee noted that a report titled "Solutions to Operation Stack: Freight Fluidity for the UK's gateway to Europe" would be discussed at the Environment and Transport Cabinet Committee meeting on 16 September 2015.

5. Mr Hill advised that a report would be submitted to this Cabinet Committee on the Libraries, Registration and Archives Services moving from a Trust to a commissioned service in December 2015.

6. The Cabinet Committee noted that Mr Andrew Stephens had been appointed Head of Libraries, Registration and Archives and would be joining KCC on 26 October 2015.

7. Mr Hill advised that he met with Tracey Crouch MP Minister for Sport and the Olympics to discuss the annual review of the service went well. The Cabinet Committee noted that Mr Hill had the opportunity to discuss how the professional sports could contribute to grass roots and Sport in Kent which the Minister agreed to continue to support.

8. The Cabinet Committee noted that the Swanley Link had reopened and the Rugby World Cup Trophy Tour evening, held on 3 September at County Hall, Maidstone, went well.

9. RESOLVED that the responses to questions by Members and the information given in the verbal updates be noted, with thanks.

100. Presentation

(Item A7)

1. The Cabinet Committee received a presentation on Canterbury Christ Church University (CCCU) by Professor Tony Lavender (Pro Vice Chancellor, Research and Knowledge Exchange) accompanied by Audrey Songhurst (Director, Research and Enterprise Development Centre) on engaging with and serving its local communities, supporting economic growth and developing a strategic approach to supporting businesses across Kent. To achieve this, the University had developed a distinctive curriculum experience through embedding, for all students, a commitment to enhance graduate employability, education for social and environmental responsibility and internationalisation.

2. Mr Lavender and Mrs Songhurst responded to comments and questions by Members as follows:

- a) Professor Lavender advised that 60% of the Universities cohort were from Kent and 50% of graduates remained in Kent and Medway.
- b) Professor Lavender advised that there was no single profile for A levels for the available courses and there was no engineering offer at CCCU yet and therefore the A level grades had not been set.
- c) Professor Lavender considered that recruiting academics had been a problem in the past but now it was competitive and CCCU was the fourth highest income earner in the country. In the Sciences, CCCU was able to recruit and have not had less than 10 applicants per post.
- d) The Cabinet Committee noted that CCCU was actively looking to develop links with the Kent Science Park, through a new position for a Strategic Projects Development Manager who would be tasked with making those links.
- e) Professor Lavender clarified that 60% of students came from Kent and 40% were from outside Kent. CCCU was contributing to the workforce in Kent. Housing costs may be an issue but it was more about forging relationships and engagement with the wider community.
- f) Mrs Songhurst advised that CCCU worked closely with KCC in particular with Mr Ross Gill, Economic Strategy and Policy Manager, who helpful with signposting contacts. The Leader of KCC Chaired a meeting of the Strategic Committee that considered proposal by CCCU.
- g) Mrs Cooper agreed to submit a report on the study of the Social Impact of Turner Contemporary to a future Cabinet Committee meeting.

- h) Professor Lavender stated that CCCU did not fund or promote businesses involved in vivisection.
- i) Professor Lavender advised that the feasibility study that DTZ were producing was looking at what type of engineering CCCU needed to teach. Mrs Songhurst advised that the stakeholder list did include railway technology and railway engineering.

3. RESOLVED that:-

- (a) the comments and responses to questions by Members and the information given in the presentation be noted with thanks; and
- (b) a report on the findings of the CCCU study on the Turner Contemporary Social Impact Assessment be submitted to a future meeting of this Cabinet Committee.

101. The Old Rectory, Northfleet (contract for management of services)
(Item B1)

1. The Head of Regeneration Projects, Mrs Bruton, introduced a report that was seeking to re-procure specialist Management Services at The Old Rectory business centre, Northfleet.

2. Following a request, Mrs Bruton agreed to forward a picture of the property to Mr Baldock outside the meeting.

3. RESOLVED that:-

- (a) the request by a Member be actioned; and
- (b) the Cabinet Committee endorsed the decision to be taken by the Cabinet Member for Economic Development to give approval to Kent County Council to re-procure Management Services at The Old Rectory business centre.

102. Funding and Devolution to support Economic Growth: Opportunities for Kent
(Item C1)

1. The Economic Development Manager, Mr Gill, introduced a report that sets out the potential opportunities to secure additional investment and devolution to Kent to support economic growth. He highlighted that there had been no formal response received from the government on the proposal that the South East Local Enterprise Partnership (LEP) be replaced with a Kent and Medway LEP. Mr Gill advised that there were still things that could be done regarding boundary changes which included; forming better relationships with universities and colleges. This could be achieved by having representation on the LEP. He concluded by advising on the wider devolution agenda, 38 proposals had been submitted to government. Kent would make submissions when it had a strong proposal.

2. Mr Gill received comments and responded to questions by Members as follows:

- a) A comment was made that it was disappointing that Kent did not have a LEP.
- b) Mr Gill advised that there was a proposal for a skills commission to better articulate what skills bases there were in Kent and Medway.
- c) A comment that the new Ashford FE campus going ahead was welcomed.
- d) A Member comment on the difficulties in finding people with the skills to build new homes with modern technology and the answer lied with finding quality apprenticeships. Mrs Cooper advised that the outcome of recent research by KMEP looked at 12 sectors, one of which was construction. Businesses were consulted on what their needs were. Mrs Cooper agreed to share this information with the Cabinet Committee.

3. RESOLVED that:-

- (a) the responses to questions by Members be noted; and
- (b) the opportunities available to Kent from devolution and additional sources of funding be noted.

103. Kent Film Office
(Item C2)

1. The Kent Film Office, Mrs Lindemann, introduced a report that looked at the work of the Kent Film Office (KFO) and options to increase the economic benefits from the film and TV industries.

2. The Vice Chairman, Mr Holden, commented that the KFO was an area that could further be developed. Kent could offer film companies great scope in the locations it could offer.

3. Mrs Lindemann noted comments and respond to questions by Members as follows:

- a) Mrs Lindemann advised that the KFO was a Team of 1½ FT officers but were able to offer work experience placements and provide work to colleagues on courses. There were currently 563 Kent locations on the database and there were always thoughts on expanding that number. KFO had links with Locate in Kent that opened up offers of warehouse sites that might be available.
- b) The Cabinet Committee noted that there were 11 independent film offices in the UK. Kent's previous regional share was 1% and in 2014 that share had improved to 40%.
- c) Mrs Lindemann considered that KFO would be in a good position to maximise opportunities that the proposed Paramount Theme Park may bring.
- d) Mrs Lindemann noted the suggestion of Transport Museums in Kent as a potential location.
- e) Mrs Lindemann considered that Kent would be a good candidate for a film studio and options were being looked at.
- f) Mrs Lindemann advised that there had been quite a few music videos shot in Kent locations including Dungeness but music videos did not generate a much income as a Hollywood Block Buster.

- g) A Member suggested that the KFO could produce and distribute a standard offer package to listed historic buildings in Kent and ask them to send back their information if they were interested.
- h) Mrs Lindemann advised that the use of empty properties owned by KCC would be difficult as they were usually disposed of quite quickly.

4. RESOLVED that:-

- (a) the responses to questions and the suggestions made by Members be noted; and
- (b) the proposals to increase the benefits from the film and TV sector as set out in paragraph 2 the report be noted.

104. Kent Big Society Fund: Annual Report to Kent County Council
(Item C3)

1. The Cabinet Member, Mr Hill, introduced an impact report on the Fund performance over the lifetime of the Fund, as requested by the Cabinet Committee and the annual report for the Kent Big Society Fund for information. He advised that the final payment from KCC had been made to Kent Community Foundation and this completed KCC's financial commitment to the Fund. He stated that he was pleased with the work of the fund in helping to create a number of jobs and volunteering experiences. He explained that the loan repayments were recycled directly into the Fund with interest and there had been minimal defaults.

2. The Programme Manager (KCC), Mrs Doherty, Mr Garrett, Fund Manager and Mrs Lynch, Chief Executive, from Kent Community Foundation explained the role of the Fund. The Fund filled a nationally identified gap in the social finance market by offering loans at blow £150,000 and met a growing demand for affordable risk capital. Following on they responded to questions by Members as follows:

- a) Mr Garrett explained that the movement of Queensborough Harbour to a Trust meant sustainability and the ability to attract funds from funds like KBSF and that local council funds could be diverted to other appropriate services and opened up a far wider offer. Mrs Lynch advised that this was repayable finance and came back into the fund with interest and was not a grant.
- b) The Kent Woodland Employment Services had worked with the Conservation Trusts and were the only recipients of RGF money direct to a company in the county of £1m. They had been part of a stringent overview of the work that they had carried out. Mrs Lynch advised that this was repayable finance with interest and not a grant and was recyclable.
- c) Mrs Doherty advised that when the Investment Panel, which included KCC Members and Trustees of the Community Foundation, made decisions on investment from the fund there was a rigorous process of checking that the investment was going to be used wisely. It was key that we were not setting up small entrepreneurial businesses to fail by lending the funding to a business proposition that was not going to be sustainable. This was carried out by ensuring that the visionary directors were budgeting to pay themselves something and the business plan and spreadsheets made

good business sense. Where there was specialist expertise required those checks were made.

- d) Mr Clark requested that future reports included all companies to be listed that receive funding including the default section. Mr Garrett advised that there were two companies that had defaulted both by less than five percent of the funding loaned.
- e) Mr Garrett advised that governance and sustainability were key questions asked of businesses being considered for KBSF.

3. Mr Hill explained that the loans were repayable and the money was recycled. He hoped that others would be attracted to give funds.

4. RESOLVED that:-

(a) the responses to questions by Members be noted; and

(b) the annual report and the three year impact report provided by Kent Community Foundation be endorsed.

105. RGF Programmes and Framework for Monitoring Report *(Item C4)*

1. The Cabinet Member, Mr Dance, introduced a report on the three Regional Growth Funds; Escalate (West Kent and parts of East Sussex, Expansion East Kent (East Kent and Ashford) and Tiger (North Kent and Thurrock). He highlighted that the Local Authority had no role in running the companies that apply for funding from the three Funds but had a monitoring role.

2. The Cabinet Committee noted that the Red Risk Status did not indicate that the companies would become defaults but could refer to no return received or non-achievement of key milestones ie repayment, job outcomes or delay to planned objectives.

3. The Economic Development Officer, Mr Riley, and Mr Dance responded to questions by Members as follows:

a) In response to a request by a Member it was agreed that repeated failures would be included in the future monitoring reports.

b) Mr Riley explained that the application process for the Funds was a robust process. The process included a pre-application which identified and stopped those organisations that had no chance of successfully securing funding being identified.

c) There were comments that the three Funds were for those that could not receive funds from banks and considered that the figures presented in the report were good and that officers were performing well. It was suggested that there may be a better way of showing the Risk Status. Mr Riley agreed to look into separating the categories within the Risk Status.

d) Mr Clark raised concerns about changing the format of the report.

4. RESOLVED that the information set out in the report and given in response to questions by Members be noted.

106. Ashford District Deal
(Item C5)

1. The Director of Environment and Planning and Enforcement, Miss Stewart, introduced a report that sets out an overview of the proposed District Deal model for continuing improved working between the County and Districts, as well as the proposed Ashford District Deal as a pilot. The Ashford District Deal was appended to the covering report. The Deal identified two parts; (i) the “Big 8” - eight strategic projects; and (ii) a series of new ways of working – the approaches to how KCC worked with the District or Borough council on some of the most critical agendas from health and social care to delivering infrastructure. Miss Stewart explained the governance arrangement advising that there was a District Deal Board which met biannually, a Strategic Delivery Board that would oversee delivery of specific outcomes and an Officer Working Group that met regularly through a Strategic Coordination Group, which would enable more effective joint working.

2. Miss Stewart and Mrs Cooper received comments and responded to questions by Members as follows:

- a) Members welcomed the report. It was suggested that this work should form part of the Strategic Framework.
- b) A Member recalled that the Cabinet Committee had considered the infrastructure deficit and the necessary working for KCC and the District and Borough councils. Mrs Cooper advised that this work would enable the Local Authorities to identify priorities and gaps in funding and would be able to make bid jointly on schemes.
- c) Mrs Cooper advised that Chilmington Green had been through the full democratic process within Ashford and had outline planning permission for over a year. KCC worked closely with Ashford Borough Council through a Joint Steering Group at both officer and Director level. KCC worked on each development ensure that its requirements as a local authority were considered including ie Highways, Education, Adult Social Care Youth provision and Libraries etc. Mrs Cooper considered that Ashford Borough Council had one of the best planning departments; and the department had been working on a design code on what type of housing, which includes lifetime homes etc. Large development of 5000 home would never be popular with everybody. Ashford Borough Council at its first reading gave it outlined planning permission for all the work that had been carried out beforehand. There would be a Community Management Organisation available after the developers had gone.
- d) A comment was made that the process seemed to be mainly officer lead and it was difficult to see an opportunity for Local Members to scrutinise the plans or the process. Miss Stewart advised that Mr Dance was on the Strategic Delivery Board but took on board the need to review the membership jointly with Ashford Borough Council for the local Members input.
- e) Miss Stewart advised that all the District Deals were bespoke. This would be driven by the Districts on how the projects would be delivered in their area. This was not a KCC top down approach; it was about building trust with the Districts.

- f) A comment was made that local people needed to be trained with the right skills to benefit from job opportunities that arise through the strategic projects.
- g) Consideration should be given to the issue of water supply and food security with large housing developments across the county.
- h) A Member commented that the fact that each District Deal would be bespoke was welcomed.

3. Mr Baldock and Mr McKenna opposed the recommendations to the report and asked for this to be noted.

4. RESOLVED that:-

- (a) the comments and responses to questions by Members be noted;
- (b) the proposed pilot District Deal with Ashford Borough Council be noted; and
- (c) the Cabinet Committee endorsed that the Leader of the Council and relevant Cabinet Members sign the District Deal with Ashford Borough Council once finalised.

107. Work Programme 2015/16 *(Item C6)*

1. The Cabinet Committee was invited to make suggestions for additional items for consideration to future agendas. The following suggestions were made:

- Social Impact of Turner Contemporary
- Skills report on the Skills Commission
- Update on the work of the Kent Film Office

2. RESOLVED that the suggestions made in paragraph 1 above be added to the Work Programme for consideration at future agenda setting meetings; and the work programme for 2015/16 be agreed.

108. Performance Dashboard *(Item D1)*

1. The Performance Manager, Mr Fitzgerald, introduced the report and highlighted this was the first report of the financial year and the data presented was up to the end of June. He advised the following:

- The Regional Growth Fund will create or safeguard 5600 jobs and 40% of these have already been delivered with the project one third of the way through the timescale. The current Kent unemployment figures were positive.
- Libraries, Registration and Archives - There was a rise in the number of E Books being issued per day. The number of ceremonies conducted by KCC Officers had risen. Online usage had declined.
- The Sports levered into Kent had brought in a good income generation and was on target.

2. Mr Fitzgerald and Mrs Cooper responded to questions by Members as follows:
 - a) A suggestion was made that KCC could approach schools regarding the use of on-line library resources.
 - b) Mr Fitzgerald clarified the information on page 103 of the report explaining that there were people who were not in employment who did not claim unemployment benefit. He offered to provide a fuller explanation and breakdown in writing of the labour market statistics.
 - c) Mrs Cooper advised that the work of the District and Borough Councils "No Use Empty Scheme" had been very successful. The Cabinet Committee agreed to a presentation at a future meeting. Mr Dance concluded that this scheme offered support where banks would not lend money on empty homes.
3. RESOLVED that:-
 - (a) the responses to questions by Members be noted;
 - (b) a presentation on the "No Use Empty" Scheme be arranged for a future meeting; and
 - (c) the information in the report be noted.

109. Annual Equality and Diversity Report *(Item D2)*

1. The Cabinet Committee considered a report that sets out a position statement for services within the Growth, Environment and Transport (GET) Directorate regarding equality and diversity work and progress on KCC Equality objectives for 2014/15.
2. Miss Phillips highlighted key points as follows:
 - Examples of projects with positive impact such as the sports project that won a national award for encouraging more female coaches in Kent sports , and the Broadband Team's participation in the BDUK project focusing on women returning to work or becoming self-employed.
 - GET used feedback from engaging with residents through surveys, consultations and complaints to shape or improve its services.
 - Looking forward, the Growth Environment and Transport (GET) Equality Group will meet every six weeks to review and share good practice on integrating Equality & Diversity into GET services' projects and business as usual activity.
 - GET will work to embed Equality & Diversity into every stage of the commissioning cycle.
3. RESOLVED that:-
 - (a) the current performance noted; and
 - (b) future reports be received annually in order to comply with the Public Sector Equality Duty be agreed.

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By: Mr M Dance, Cabinet Member for Economic Development
Mr P M Hill, OBE, Cabinet Member for Community Services
Mrs B Cooper, Corporate Director for the Growth, Environment and Transport

To: Growth Economic Development and Communities Cabinet Committee – 1 December 2015

Subject: Verbal updates by the relevant Cabinet Members and Corporate Director for the Growth, Economic Development and Communities portfolio

Classification: Unrestricted

The Growth, Economic Development and Communities Cabinet Committee is invited to receive verbal updates on the following issues:-

Cabinet Member for Economic Development

- Matters regarding Economic Development for the County of Kent and wider

Cabinet Member for Community Services

- Appointment of new Chair of Board of Turner Contemporary
- LGA Leadership Essential Workshops
- John Downton Awards – 11 November 2015

Corporate Director for the Growth, Environment and Transport

- No items at time of publication

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By: Mark Dance, Cabinet Member for Economic Development
Barbara Cooper, Corporate Director – Growth Environment and Transport

To: Growth, Economic Development and Communities Cabinet Committee - 1 December 2015

Subject: Folkestone Seafront Regeneration: Local Growth Fund Grant

Classification: Unrestricted

Past pathway of paper: None

Future pathway of paper: None

Electoral Division: All Divisions in Shepway (Elham Valley, Folkestone North East, Folkestone South, Folkestone West, Hythe and Romney Marsh)

Summary

As part of the South East Local Enterprise Partnership's Local Growth Fund allocation, the Government has indicatively allocated £5.1 million to deliver capital works in support of the regeneration of Folkestone Seafront. This grant is subject to the completion of a full business case and the confirmation of funding by the Government.

Should the Government confirm its funding, it is proposed that Kent County Council will act as the accountable body for the grant, which it will transfer through a subordinate grant agreement to the developers of the Folkestone Seafront scheme.

This report explains the project for which grant funding is sought, sets out KCC's role and outlines the process that will be followed to secure the funding. It seeks the support of the Cabinet Committee for KCC to accept Government grant funding and transfer it to the developers, subject to approval of a full business case.

Recommendation:

The Growth, Economic Development and Communities Cabinet Committee is asked to consider and endorse or make recommendations on the decision to be taken by the Cabinet Member for Economic Development, to agree that the Council shall (subject to the completion of a full business case, satisfactory appraisal by an Independent Technical Evaluator and approval by the South East Local Enterprise Partnership Accountability Board):

- i. Accept Government grant funding of up to £5.1 million capital to deliver a programme of regeneration works at Folkestone Seafront;

- ii. Enter into a subordinate grant agreement with a private sector organisation for the delivery of the programme; and
- iii. Delegate to the Director of Economic Development the authority to conclude arrangements to secure the recovery of administration costs associated with KCC's management of the grant agreement.

1. Introduction: The Folkestone Seafront project

- 1.1. Folkestone's prospects for regeneration and growth have been greatly enhanced by improved transport connections via High Speed One and by significant private and public investment in the town's public realm and cultural infrastructure. Building on this, the redevelopment of Folkestone Seafront will provide a high-quality, mixed use development, consisting of up to 1,000 homes and around 10,000 sq m of commercial floorspace, as well as new sports and leisure facilities and public space.
- 1.2. The spatial strategy for Folkestone Seafront is set out in Shepway District Council's adopted Core Strategy Local Plan and the project is recognised as a priority investment within the South East Local Enterprise Partnership's Strategic Economic Plan. Following a master plan developed in 2009, an outline planning application for the development was submitted by Folkestone Harbour Group and was approved in January 2015¹.

2. Proposal for grant funding

- 2.1. While the development will be largely privately financed, there is a high level of upfront investment required in infrastructure and site preparation works. The Development Viability Assessment completed in November 2014 stated that it would not be possible through normal market channels to raise the funding for this investment.
- 2.2. Last year, Folkestone Harbour Group submitted an expression of interest to the South East LEP for funding from the Government's Local Growth Fund. This resulted in the following indicative allocation:

2016/17:	£4.0 million
2017/18:	£1.1 million
<u>Total:</u>	<u>£5.1 million</u>

- 2.3. Specifically, it was proposed that this funding would be used for:

¹ Planning Application Y12/0897/SH

- a) Beach reinforcement, agreed with the Environment Agency as part of the flood risk assessment process and required as part of the planning conditions for site development;
- b) Raising site levels, again agreed as part of the flood risk assessment process;
- c) Upgrades to utilities; and
- d) Environmental improvements to Marine Parade, as the principal access route into the development.

3. Process for securing funding

- 3.1. At this stage, there is no confirmation of Local Growth Fund allocations for projects starting in 2016/17 or beyond, including the Folkestone Seafront project. It is anticipated that confirmation of 2016/17 funding will follow the Autumn Statement.
- 3.2. Assuming that the Government confirms funding for 2016/17, LGF funds will be paid to Essex County Council as the accountable body for the South East LEP. In order to release the funding for Folkestone Seafront, the developers are required to prepare a full business case, which will be considered by the Independent Technical Evaluator acting on behalf of the LEP. In considering the business case, the Independent Technical Evaluator will take into account the deliverability of the project, its value for money and the compliance of grant funding with state aid regulations.
- 3.3. If the Independent Technical Evaluator is satisfied with the outcome of the evaluation, the project will be reported to the South East LEP's Accountability Board (a Joint Committee of the six county and unitary authorities in the LEP area, including KCC). The Accountability Board will determine whether funds should be released.
- 3.4. The developers are currently preparing the business case and it is anticipated that it will be reported to the Accountability Board in February for determination.

4. Kent County Council's role

- 4.1. All LGF funds are distributed from Essex County Council as the LEP's overall accountable body to each county and unitary authority. Where projects are not delivered by the authority itself, it is anticipated that the authority will put in place a grant agreement with the final beneficiary.
- 4.2. In the case of the Folkestone Seafront project, the final beneficiary will be the developer. Provided that the project is satisfactorily appraised by the

Independent Technical Evaluator, and approved by the Accountability Board, it is envisaged that KCC will receive LGF funds, transfer them via a grant agreement with the developer and monitor delivery on behalf of the LEP.

5. Implications

Financial

- 5.1. There is no KCC contribution proposed to this project. However, KCC will be accountable for up to £5.1 million in Government funds to be delivered by a third party. There will be administration costs incurred in the management of the grant agreement; these will be recovered from the developer.

Legal

- 5.2. The proposed grant may constitute state aid. This will be assessed through the full business case. The developer is advised to seek independent state aid advice, and KCC will be satisfied with the state aid compliance of any grant before an agreement is entered into.

Equalities

- 5.3. An Equalities Impact Assessment has not yet been carried out. This will be required as part of the full business case, and will be the responsibility of the developer.

6. Recommendation:

The Growth, Economic Development and Communities Cabinet Committee is asked to consider and endorse or make recommendations on the decision to be taken by the Cabinet Member for Economic Development, to agree that the Council shall (subject to the completion of a full business case, satisfactory appraisal by an Independent Technical Evaluator and approval by the South East Local Enterprise Partnership Accountability Board):

- i. Accept Government grant funding of up to £5.1 million capital to deliver a programme of regeneration works at Folkestone Seafront;
- ii. Enter into a subordinate grant agreement with a private sector organisation for the delivery of the programme; and
- iii. Delegate to the Director of Economic Development the authority to conclude arrangements to secure the recovery of administration costs associated with KCC's management of the grant agreement.

Contact details:

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Economic Strategy and Policy Manager
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Relevant Director: David Smith
Director of Economic Development
Telephone: 03000 417176
Email: david.smith2@kent.gov.uk

5 November 2015

Annexes:

Annex 1: Risk analysis

Annex 2: Draft Record of Decision

Relevant documents:

Shepway District Council (2013), Shepway Core Strategy Local Plan, Policy SS6 (Folkestone Seafront), p.65. Available at:

http://www.shepway.gov.uk/media/1811/Core-Strategy-Local-Plan-2013/pdf/Core_Strategy_Local_Plan_2013_v2.pdf

Shepway District Council (2015), Outline Planning Application Y12/0897/SH.

Available at <http://searchplanapps.shepway.gov.uk/online-applications/applicationDetails.do?activeTab=details&keyVal=MB9H81NZ01N00>

Folkestone Seafront master plan. Available at www.folkestoneseafront.com, and relevant documentation available at <http://www.shepway.gov.uk/planning-policy/local-plan/evidence-base>

South East LEP (2014), Strategic Economic Plan. Available at www.southeastlep.com

Annex 1: Risk analysis

Inherent				Residual			
Risk	Impact	Likelihood	Total (I*L)	Mitigation	Impact	Likelihood	Total (I*L)
Non-compliance with state aid rules, resulting in non-viability of grant assistance or clawback of grant.	5	4	20	Consideration by ITE. Developer to seek state aid advice Project divisible into discrete elements	5	3	15
Failure to secure planning permission, resulting in delay	5	2	10	Outline planning secured. Strong engagement with Shepway District Council throughout	5	1	5
Failure to demonstrate additionality and value for money of public sector support, resulting in failure to secure grant	5	3	15	Project divisible into discrete elements	5	2	10
Inability of developer to complete project due to market conditions or inability to secure commercial funding	4	3	12	Strong track record of delivery by final beneficiary. Final beneficiary credit checks and risk analysis before grant agreement concluded/	4	2	8
Delays in procurement and preliminary studies leading to risk of underspend	4	4	20	Main consultants (Buro Happold) appointed. Preliminary study costs excluded from scope of grant	3	2	6

Inherent				Residual			
Risk	Impact	Likelihood	Total (I*L)	Mitigation	Impact	Likelihood	Total (I*L)
Delay in concluding business case and approval leading to delay in project start	4	5	20	Early engagement with ITE and project lead.	4	3	12
Failure to agree conditions of grant agreement between KCC and developer	3	3	9	Draft grant agreement already shared; ongoing dialogue	3	1	3
Government decision not to commit funds in 2016/17	5	4	20	Dialogue with Government via LEP Alternative sources of funding/ phasing alternatives sought	5	3	15

KENT COUNTY COUNCIL – PROPOSED RECORD OF DECISION**DECISION TAKEN BY**

Mark Dance – Cabinet Member for Economic Development

DECISION NO.

15/00085

Unrestricted**Folkestone Seafront Regeneration: Local Growth Fund grant****Decision:**

As Cabinet Member for Economic Development, I agree that Kent County Council (subject to the completion of a full business case, satisfactory appraisal by an Independent Technical Evaluator and approval by the South East Local Enterprise Partnership Accountability Board), shall:

1. Accept Government grant funding of up to £5.1 million capital to deliver a programme of regeneration works at Folkestone Seafront;
2. Enter into a subordinate grant agreement with a private sector organisation for the delivery of the programme; and
3. Delegate to the Director of Economic Development the authority to conclude arrangements to secure the recovery of administration costs associated with KCC's management of the grant agreement.

Reason(s) for decision

The decision is required so that funding may be secured from the Local Growth Fund for the development of Folkestone Seafront. This will deliver housing and commercial growth in Folkestone and will support the town's wider regeneration

Cabinet Committee recommendations and other consultation

To be added following Growth, Economic Development and Communities Cabinet Committee on 1 December 2015

Any alternatives considered:

As part of the business case development, alternative sources of funding for each element of the project will be considered.

Alternative arrangements for the management of the LGF grant have also been considered. In particular, it would be possible for Essex County Council as the accountable body for the South East LEP to directly contract with the developer. This would mean that KCC would bear no risk. However, the federal model that the LEP operates ensures that there is stronger local oversight and accountability.

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

None

.....
..

signed

.....

date

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From: Mark Dance, Cabinet Member for Economic Development
 Barbara Cooper, Corporate Director for Growth, Environment and Transport

To: Growth, Economic Development and Communities Cabinet
 Committee – 1 December 2015

Subject: **To approve a Deed of Variation to the Operator Agreement between KCC and Cyclopark Trust for the operation of the park.**

Decision: **15/00088**

Classification: **Unrestricted**

Past Pathway of Paper: N/A

Future Pathway of Paper: For Cabinet Member Decision

Summary:

Cyclopark opened in May 2012 as legacy project to the London Olympic and Paralympic Games. The park is owned by KCC and managed by the Cyclopark Trust through a contractual arrangement - the 'Operator Agreement'. A Deed of Variation to the Operator Agreement is required to extend Cyclopark's responsibility for managing additional landholdings and to enable the Trust to draw down an annual sum for the development and upkeep of this additional land.

Recommendation:

The Growth, Economic Development and Communities Cabinet Committee is asked to consider and endorse, or make recommendations to the Cabinet Member for Economic Development on the proposed decision to agree to enter into a Deed of Variation to the Operator Agreement for the Cyclopark Trust to take on the additional lease and funding arrangements as attached at Appendix B.

1 Background

- 1.1 Cyclopark is a unique 43 acre sports and community facility built on redundant land made available as a result of the realignment of the A2 trunk road south of Gravesend. The park opened in May 2012, as a legacy project to the London Olympic and Paralympic Games and has subsequently been operated on KCC's behalf by a charitable trust specifically established for the purpose.
- 1.2 KCC, as the developer of the project on behalf of other local and national funding providers and stakeholders, has an existing contractual arrangement with Cyclopark Trust, the Operator Agreement, which covers lease of the land, commuted sum funding from (the then) Highways Agency and wider funding and operating arrangements. Changes to the Operator Agreement require a Deed of Variation to be approved by both.

2 Leases

- 2.1 Most of the land occupied by Cyclopark was made available to KCC by the Highways Agency (HA). The first tranche was released to enable the development and the second tranche (largely the parkland element to the east of the site) was transferred fully into KCC ownership in 2013. The land is managed by KCC in collaboration with Cyclopark on behalf of HA.
- 2.2 The HA land transfer was accompanied by a commuted sum totalling £500,000 paid in two stages, to support the management in perpetuity of the landscape scheme and cycleway and footpaths. The first payment was received early in the project development with the first transfer of HA land and the remaining sum was received with the transfer of the second tranche of land in 2013. This sum is held by KCC and an annual allocation is made to Cyclopark which varies according to need but is in the region of £35,000 per annum.
- 2.3 A further small tranche of land was also acquired by KCC in 2013, from London and Continental Railways in order to secure control and access of the landholdings within the overall footprint of Cyclopark to protect future operation and potential for the project.
- 2.4 The additional land holdings will be leased to Cyclopark Trust under the same terms as the original lease and in accordance with the Operator Agreement. The change to the Operator Agreement will enable the Trust to further develop and improve the leisure and sports experience for all users and increase participation in sports and recreation.

3 Funding

- 3.1 As part of the Operator Agreement, KCC contributes £125,000 per annum towards operating costs. In 2012, additional funding of up to £120,000 per annum for the three year period to March 2015 was provided under the MTFP. This was to ensure that the new venture was appropriately supported to survive its initial years and work towards a financially sustainable future; and in so doing, protect KCC's significant investment in the project. This sum is repayable to KCC within 18 months of the final payment should the Cyclopark Trust's budget demonstrate a sustained and robust position and subject to such a repayment having no materially detrimental effects on the operation of Cyclopark.
- 3.2 Once transfer under lease of the second tranche of HA land is completed Cyclopark Trust will have access to an annual payment from the additional commuted sum allocated for upkeep. This is likely to be in the region of £35,000 per annum.

4 Deed of Variation – Legal Implications

- 4.1 A Deed of Variation to the Operator Agreement between KCC and Cyclopark Trust is required to formally take account of:
- the additional land lease to Cyclopark Trust
 - the original MTFP funding; and

- future allocations to Cyclopark Trust from the commuted sum held by KCC.

4.2 A copy of the proposed Deed of Variation is attached at Appendix A and has been developed by KCC Legal Service and agreed, in principle, by Cyclopark Trust's legal representatives.

5. Equalities Implications

5.1 There are no equality implications for the decision.

6. Recommendation:

6.1 The Growth, Economic Development and Communities Cabinet Committee is asked to consider and endorse, or make recommendations to the Cabinet Member for Economic Development on the proposed decision to enter into Deed of Variation to the Operator Agreement for Cyclopark Trust for additional lease and funding arrangements as attached at Appendix B

7. Background Documents

- 7.1 Appendix A - Draft Deed of Variation.
7.2 Appendix B – Proposed Record of Decision

8. Contact details

Report Author:
Theresa Bruton, Head of Regeneration Projects
Telephone number: 03000 417034
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Relevant Director:
David Smith, Director of Economic Development
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Email address: David.smith2@kent.gov.uk

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DATED

2015

(1) THE KENT COUNTY COUNCIL

(2) CYCLOPARK

DEED OF VARIATION

relating to

the Operator Agreement

Governance and Law
The Kent County Council ©
County Hall
Maidstone
ME14 1XQ
draft 23.06.15
www.kent.gov.uk/Legal
Ref: LS/A/13488/452

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THIS DEED is made the day of Two Thousand and Fifteen

BETWEEN:

- (1) **THE KENT COUNTY COUNCIL** of Sessions House, County Hall, County Road, Maidstone ME14 1XQ (the "Council"); and
- (2) **CYCLOPARK** a private company limited by guarantee whose registered address is situated at Watling Street, Gravesend, Kent DA11 7NP and whose company registration number is 07762463 ("the Operator")

WHEREAS:

- (A) The Council and the Operator have entered into the Operator Agreement dated 26th May 2012 for the day to day management and operation of Cyclopark.
- (B) The Council and the Operator have agreed for the Operator Agreement to be varied in accordance with this Deed of Variation.
- (C) The Council agreed to make available to the Operator funding of up to £125,000.00 (one hundred twenty five thousand pounds) per annum for the Contract Period for the day to day management and operation of Cyclopark.
- (D) Pursuant to a decision made by the Council in 2012, the Council further agreed to increase the funding of up to £125,000.00 (one hundred twenty five thousand pounds) for the day to day operation and management of Cyclopark by granting additional funding of up to £120,000.00 (one hundred twenty thousand pounds) per annum for a period of 3 (three) years.
- (E) The Council and the Operator have agreed to enter into a further lease in relation to the land at Watling Street, Northfleet, Gravesend and land lying to the South of Old Watling Street, Gravesend with the Operator providing relevant services and maintaining the property referred to in the additional lease as if it was originally included within the Operator Agreement.
- (F) Subject to the Operator entering into the additional lease the Council agrees to provide the Operator with additional funding, limited up to that part of the funding received from the Secretary of State and not yet spent for the purposes by the Council, subject to the terms and conditions of this Deed of Variation.

1. DEFINITIONS AND INTERPRETATION

- 1.1 This Deed of Variation shall be read in conjunction with the Operator Agreement and any definitions set out within the Contract, other than where differently set out below, shall be applicable to this Deed of Variation.

"Effective Date" The date of this Deed of Variation.

"Lease" Means the lease for the land known as

- a) land at Watling Street, Northfleet, Gravesend; and
- b) land lying to the South of Old Watling Street, Gravesend

“Operator Agreement” The agreement made between the Operator and the Council dated 26th May 2012.

“Parties” The Council and the Operator whether together referred to and each of them shall be a “Party”.

2. VARIATION OF THE OPERATOR AGREEMENT

ADDITIONAL FUNDING

- 2.1 The Parties have entered into this Deed of Variation to record the terms on which they agreed to increase the funding in relation to the day to day operation and management of Cyclopark arising out of or in connection with the obligations under the Operator Agreement prior to the date of this Deed of Variation.
- 2.2 The increase in the funding by up to £120,000.00 (one hundred twenty thousand pounds) per annum was for a period of 3 (three) years to be used for specific purposes as agreed between the Parties and in any event only to deliver the original full scope of the services at Cyclopark which was subject to budgetary constraints.
- 2.3 The Operator was entitled to the additional annual funding referred to in clause 2.2 subject to being able to demonstrate, to the entire satisfaction of the Council, that the Operator required additional funding for the day to day operation of Cyclopark and subject to invoicing the Council in accordance with the Operator Agreement.
- 2.4 The County Council shall be entitled to claim back a negotiated proportion of the additional funding should the Operator’s budget demonstrate a sustained and robust position within 18 (eighteen) months of the final payment being received subject to this not having any materially detrimental effects on the operation of Cyclopark.

ADDITIONAL LAND

- 2.5 The Council and the Operator have agreed to enter into the Lease for additional land in accordance with the terms of the Operator Agreement.
- 2.6 The Operator warrants and agrees to provide the Services on the additional land referred to in the Lease as set out in the Operator Agreement.

COMMUTED SUM LINKED TO THE LEASE OF ADDITIONAL LAND

- 2.7 Subject to the Operator having entered into a Lease the Operator shall be entitled to invoice the Council for up to the remaining funding provided by the Secretary of State for Transport in accordance with the Operator Agreement at levels to be agreed from time to time between the Parties.
- 2.8 The Operator warrants and agrees that any such funding shall only be used for the management of the existing landscape scheme and the delivery of conditions

attached to the shared cycleway and footway subject to the Council's prior written approval of the property referred to within the Lease.

3. CONFIDENTIALITY

3.1 The terms of this Deed of Variation are confidential and the Parties agree not to disclose them or any part of the contents to any other person (save for their respective professional advisors, the Council's funders and as required by law).

3.2 Each of the Parties hereby undertakes to the other:

3.2.1 to keep confidential all information (written and oral) concerning the business and affairs of the other Party that it obtains or receives as a result of the funding and this Deed of Variation and the Operator Agreement (collectively "the Information"); and

3.2.2 not without the other Parties prior written consent to disclose the Information in whole or in part to any person save as required by law or by the Council's funders.

3.3 The provisions of this clause 3 shall not apply to the whole or any part of the Information to the extent that such Information is in the public domain.

4. GENERAL

4.1 Each of the Parties shall sign, execute and complete all such documents and deeds as shall be necessary for the purpose of carrying out the terms of this Deed of Variation and/or bringing this Deed of Variation into effect.

4.2 This Deed of Variation is personal to the Parties and the Operator shall not, without the prior written consent of the Council assign, delegate or sub-contract any of its rights and/or obligations under or arising out of this Deed of Variation (or any document referred to in it), or purport to do any of the same.

5. TERMINATION

The termination provisions of the Operator Agreement shall be amended to include reference to the Lease and the Council shall be entitled to terminate the Operator Agreement in the event that the Operator breaches any terms of the Lease and, for the avoidance of doubt, the Lease shall terminate when the Operator Agreement terminates.

6. ENTIRE AGREEMENT

6.1 The terms of this Deed of Variation together with the Operator Agreement constitute the entire agreement between the Parties and supersede all previous agreements between the Parties relating to its subject matter.

6.2 Each Party acknowledges that, in entering into this Deed of Variation, it has not relied on, and shall have no right or remedy in respect of, any statement, representation assurance or warranty (whether made negligently or innocently) other than expressly set out in this Deed of Variation and/or the Operator Agreement.

7. PREVAIL

In the event of any conflict and/or contradiction and/or inconsistency between the terms of this Deed of Variation and the terms of the Operator Agreement, the terms of this Deed of Variation shall prevail.

8. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

A person who is not a party to this Deed of Variation shall not have any rights under or in connection with it by virtue of the Contracts (Rights of Third Parties) Act 1999.

9. GOVERNING LAW AND JURISDICTION

This Deed of Variation and any disputes or claims arising out of or in connection with its subject matter are governed by and construed in accordance with the law of England and the Parties irrevocably agree that the courts of England shall have exclusive jurisdiction to settle any dispute or claim that arises in connection with this Deed of Variation.

THIS Deed of Variation has been executed as a Deed by the Parties or their duly authorised representatives.

EXECUTED as a Deed by

THE KENT COUNTY COUNCIL

By affixing its Common Seal in the

Presence of:

Authorised signatory

EXECUTED as a Deed by

CYCLOPARK

By affixing its Corporate Seal in the

Presence of:

Director

Director/Secretary

KENT COUNTY COUNCIL – PROPOSED RECORD OF DECISION

DECISION TAKEN BY:

Cabinet Member for Economic Development

DECISION NO:

15/00088

For publication

Non Key decision*

Subject: Cyclopark Trust – Deed of variation to the Operator Agreement

Decision:

As Cabinet Member for Economic Development, I agree to enter into a Deed of Variation to the Operator Agreement for Cyclopark Trust for additional lease and funding arrangements

Reason(s) for decision:

A Deed of Variation to the Operator Agreement is required to transfer the lease of two additional landholdings to further develop the facility, and to enable the Cyclopark Trust to draw down an annual sum allocated for the upkeep of this land.

Cabinet Committee recommendations and other consultation:

A full programme of community and stakeholder consultation was undertaken in establishing the Cyclopark Project.

Any alternatives considered:

The Deed of Variation has been developed by KCC Legal Service to formalise the next stages in the planned delivery and development of the project.

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

None

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signed

.....
date

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From: Mark Dance, Cabinet Member for Economic Development
Barbara Cooper, Corporate Director, Growth, Environment and Transport

To: Growth, Economic Development and Communities Cabinet Committee - 1 December 2015

Subject: Inward Investment Services procurement

Key decision: Exceeds financial criteria (contract value of over £1m)
Affects more than two Electoral Divisions

Classification: Unrestricted

Past Pathway of Paper: Procurement Board, 21 October 2015

Future Pathway of Paper: For decision by Cabinet Member

Electoral Division: Countywide

Summary:

Kent County Council is seeking to procure inward investment services for the period April 2016 to March 2019. This will replace the existing inward investment services contract with Locate in Kent, which commenced in April 2014 and runs for 24 months to March 2016, with an optional extension of one year.

This report explains the process that has been followed, and provides an outline of the requirements that the County Council has asked prospective bidders to meet when submitting their proposals.

Recommendation(s):

The Growth, Economic Development and Communities Cabinet Committee is asked to consider and endorse, or make recommendations to the Cabinet Member for Economic Development to enter into a contract with the successful bidder once the selection process is completed as outlined in Appendix B.

1. Introduction

- 1.1 The County Council has an existing inward investment services contract with Locate in Kent, which was awarded in March 2014 following an OJEU compliant process, and commenced in April 2014. This contract supports the attraction of inward investment into Kent across all economic sectors. The current contract is for 24 months, which expires in March 2016, and has an optional extension of one year. Currently, the value of the contract with Locate in Kent is £625,000 per annum.
- 1.2 There is now an opportunity to review, refresh and strengthen the County Council's support for inward investment in light both of KCC's developing role as a commissioning authority, and an increasing economic development focus by central government and the County Council on targeting and investing in

those priority sectors with the greatest growth potential. These include life sciences, advanced manufacturing and engineering, environmental technologies, ICT and digital/creative.

- 1.3 The procurement also includes coverage of the Medway Council area. This followed an approach to the County Council by Medway Council's Cabinet Member for Economic Development in early November, to ask if the coverage of the proposed inward investment services contract could be extended to include the Medway area as well as Kent. Medway Council will make a corresponding cash contribution to the project.

2. What the proposal is about

- 2.1 The proposal involves the procurement of an inward investment service for Kent and Medway over a three year period from April 2016 to March 2019. The total value of the proposed contract is £3.325m, and would be funded by the County Council (£1.452m), Medway Council (£0.210m) and the European Regional Development Fund (£1.662m), the latter being dependent on the outcome of a current funding application to the Department for Communities and Local Government (DCLG).
- 2.2 The successful contractor will be expected to play a key partnership role in driving and supporting economic development in Kent and Medway, and will work closely with key stakeholders in the county and internationally, including the central government agency UK Trade and Investment (UKTI).
- 2.3 The tender proposal can be viewed on the County Council's procurement portal, and will include the following delivery priorities:
 - Securing external investment into Kent and Medway that will create quality jobs;
 - Building and converting a pipeline of prospective investment projects in target sectors;
 - Promoting Kent and Medway to overseas target markets and high value sectors identified in the Kent and Medway Growth Strategy, South East Strategic Economic Plan, and the South East European Structural and Investment Fund (ESIF) Programme; and
 - Attracting potential investors and providing key information to assist their decision making.

3. Procurement approach

- 3.1 The tender will be advertised via the OJEU Open Procedure. This will be preceded by some initial market engagement to gauge the level of potential interest from suppliers. Also, because respondents would need to undertake a lot of work to prepare their tender submissions, they will be required to meet some initial prequalification requirements in order to establish capability and capacity.
- 3.2 Outline timescales for the proposed procurement are:
 - Consideration by Procurement Board: Approval given in October 2015

- Advert: November 2015
- Market engagement: November 2015
- Expression of interest period: November and December 2015
- Prequalification period: January 2016
- Prequalification evaluation: January and February 2016
- Tender period: March 2016
- Tender evaluation and award: March and April 2016

4. Options considered

- 4.1 Several options were considered at an early stage in the commissioning process. Two options involved the possibility of an extended Single Supplier agreement with the current supplier: one option starting in April 2016, at the end of two years into the current contract, and running for three years; and a second option starting in April 2017, after a one year extension of the existing contract, and running for two years. However, both options would be open to challenge of unfair competition from other potential providers of inward investment services, and on procurement grounds from Government and the European Commission. A third option, to undertake a re-procurement of services from April 2016, carries with it a significant risk to the existing supplier, which might not be successful in securing the new contract. However, it does provide the opportunity both to review and improve how inward investment is attracted to the County and to secure additional funding from external sources. This is the preferred option.

5. Risks

- 5.1 The main risks to the procurement process are:
- There could be a limited market for a competitive procurement process. It is difficult to assess whether there might be other potential local providers able to deliver this service, because the nature of the contract is specific to Kent and Medway. Although the OJEU process will potentially provide a wide coverage, further consideration would be given to further publicity if initial interest is low.
 - The project is not considered by DCLG to be State Aid compliant. To mitigate this, we have undertaken a full legal assessment which concludes that although the proposed range of services is State Aid, these will be delivered under *de minimis* rules so that the value of support provided to individual businesses will not exceed the permitted threshold.
 - There is a risk that ERDF funding through DCLG may not be approved. If this happens, the procurement process will continue as planned and the contract awarded with financial contributions from Kent County Council and Medway Council only.

6. Other implications

- 6.1 Financial implications: The inward investment services contract value is £3.325m over the three year period between April 2016 and March 2019. This

will be funded by KCC (£1.452m), Medway Council (£0.210m) and European Regional Development Fund (£1.662m).

- 6.2 Legal implications: The contract with the successful supplier will be drawn up by KCC Legal Services. Otherwise, there are no legal implications.
- 6.3 Equalities implications: Equalities requirements will be included as part of the tender specifications and contract, when awarded.

7. Fit with strategic and local objectives

- 7.1 The proposed decision is consistent with the Vision set out in the County Council's Strategic Statement for 2015-20 ("Our focus is on improving lives by ensuring that every pound spent in Kent is delivering better outcomes for Kent's residents, communities and businesses"), and with the economic and business growth Strategic Outcome and Supporting Outcomes.
- 7.2 One of the main outcomes of the Growth, Environment and Transport Directorate is to ensure that "Our economy is vibrant and everyone benefits from growth". The proposed decision aims to deliver that outcome by ensuring that businesses, including SMEs, are supported and receive the advice and assistance that they need both to invest in Kent and to deliver jobs.
- 7.3 In the South East Strategic Economic Plan, a strong emphasis is placed on the importance of attracting inward investment, and for local agencies to work closely with Government agencies to bring new investment into the area. In the Kent and Medway Growth Strategy we said that we would increase our promotion of Kent as a UK inward investment gateway, with a commitment from Government and UKTI to match that support for inward investment where it is focused around sectors in which Kent has particular strengths.

8. Next Steps

- 8.1 The procurement process is currently continuing, with the expectation that it will be completed and the successful contractor notified early in the New Year.
- 8.2 In accordance with the Key Decision process, after 15 December 2015 the Cabinet Member will have the authority to take the decision to award the contract to the successful applicant. However, as paragraph 3.2 above makes clear, the tender process will continue until March/April 2016, when the actual award will be made.

9. Recommendation:

- 9.1 The Growth, Economic Development and Communities Cabinet Committee is asked to consider and endorse, or make recommendations to the Cabinet Member for Economic Development to enter into a contract with the successful bidder once the selection process is completed as outlined in Appendix B.

10. Background Documents

10.1 Inward Investment Services Procurement Plan (Appendix A).

10.2 Inward Investment Services Record of Decision (Appendix B).

11. Contact details

Report Author: David Hughes Head of Business Engagement and Economic Development 0791 763 9120 dave.hughes@kent.gov.uk	Relevant Director: David Smith Director of Economic Development 03000 417176 david.smith2@kent.gov.uk
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Appendix 1

Procurement Plan

TITLE: Inward Investment Services	VALUE: £2.97M	Ref: SS15 60
Procurement Lead: Louise Merchant	Date: 5 October 2015	
Client Lead: David Hughes	Position: Head of Business Engagement and Economic Development	

Commissioning Route

Following consultation with the Cabinet Member for Economic Development, it is proposed to undertake the procurement of an inward investment service for Kent County Council over a three year period from April 2016 to March 2019.

The Commissioning Route described in this Procurement Plan is set out in a Business Case approved by the Director for Economic Development in September 2015. It was also described as one of several options in a report by the client to Procurement Board in February 2015 (see Appendix 1).

Description:

The procurement of an inward investment service for Kent County Council at a cost of £0.99m per annum over a three year period from April 2016 to March 2019. The total cost of the proposed contract would be £2.97m, and would be funded by Kent County Council (£1.55m) and the European Regional Development Fund (£1.42m), the latter being dependent on the outcome of a current funding application to the Department for Communities and Local Government (DCLG).

Any future funding adjustments will be carried into the contract, both to ensure that actual funding is reflected and that any implications are fully understood by potential tenderers. No guarantee regarding future funding will be implied or assumed beyond that approved by the Council.

The key features of the re-procured inward investment service would be:

- Securing external investment into the county of Kent that will create jobs;
- Monitoring investment activity and tracking investment plans of companies in target sectors in order to build and convert a pipeline of prospective investment projects that in turn helps to create and maintain jobs in Kent;
- Promoting the County to overseas target markets and to high value sectors identified in the Kent Growth Strategy, including life sciences, advanced manufacture, low carbon and digital and creative;
- Competing with other locations being considered by potential inward investors, and developing compelling reasons why businesses should choose to locate in Kent;
- Attracting potential investors and providing key information to assist decision making;
- Working closely with key partners in the County and internationally, in collaboration with the government's UKTI Investment Services team; and
- Maintaining close contact with investing businesses through an aftercare programme.

The inward investment services contract currently funded by the County Council includes the following performance targets, which we would review and look to refresh:

No.	Performance target	Level
1	Job outcomes (combination of new, indirect and retained)	2014/15 – 2847 2015/16 – 2911 2016/17 – 2985
2	Percentage of jobs achieved are located in East Kent, Ashford or Thames Gateway	Minimum 75%
3	Percentage of jobs created are in professional or management positions or in knowledge based industries	Minimum 50%
4	Percentage of jobs created are in high growth sectors	Minimum 75%
5	% of successful inward investments visited after 12 months following project completion	100%
6	Web based statistics	Average monthly visits – 2630 Daily visits – 189 % new visitors – 70 Website enquiries – 9 per month
7	Securing other funding to support programme	Minimum 50% of the value of KCC's funding

In addition to the inward investment services contract currently funded by the County Council this procurement includes a new additional element which is focused on foreign direct investment, this will be funded by EU funding. The EU funding application to the DCLG is a 3 year (April 2016- March 2019) project. It will create additional local capacity to enable foreign direct investment (FDI) promotional and support activity not currently being undertaken, with the dual aims of attracting new, innovative and potentially high growth SMEs to Kent or supporting local expansions by overseas owned businesses. It will target priority sectors identified in the Kent Economic Growth Strategy, and will work closely with UKTI's specialist sector-based teams.

A decision on the application to DCLG is expected by the end of the year, However, if unsuccessful, it is proposed to continue with the re-procurement of the current inward investment with just KCC's funding support and not continue with the EU funding element.

Linkage to Category Strategy:

There is no specific link to a Category Strategy for this requirement and the ongoing delivery of this service is always subject to availability of funding.

Business Objectives:

The main outcomes of the Growth, Environment and Transport Directorate are to ensure that:

- Our economy is vibrant and everyone benefits from growth;
- Our high quality infrastructure makes Kent an attractive place to live, work and do business; and
- Our communities are resilient and our residents are actively enjoying life in Kent.

This project aims to deliver the first outcome, by ensuring that businesses, including SMEs, are supported and receive the advice and assistance that they need both to invest in Kent and to deliver jobs.

Within the Kent and Medway Growth Strategy and the South East Strategic Economic Plan, a strong emphasis is placed on the importance of attracting inward investment, and for local agencies to work closely with UKTI to bring new foreign direct investment to the area. Within the Kent and Medway Growth Strategy, we said that we would increase our promotion of Kent as a UK inward investment gateway, with a commitment from UKTI to match local support for inward investment where it is focused around sectors in which Kent has particular strengths.

A specific activity plan will be developed against which key milestones and deliverables will be monitored and payments will be made as part of the contract management process.

Current Supply arrangements:

There is an existing inward investment services contract with Locate in Kent, which was awarded in March 2014 following an OJEU compliant procurement process and commenced in April 2014. This contract supports investment activity across all economic sectors both within and outside the county. The contract is for 24 months with an optional extension of 1 year (expiry end of March 2017). Currently, the spend on this contract is £625,000 per annum.

There is now an opportunity to refresh and to strengthen the County Council's support for inward investment in light both of KCC's developing role as a commissioning authority, and an increasing economic development focus both by central government and the County Council on targeting and investing in those priority sectors with the greatest growth potential (such as life sciences, advanced manufacturing, low carbon and digital and creative).

Given the proposed timeline for commencement of the procurement process, a new contract would commence in April 2016 and operate for a three year period until March 2019.

Locate in Kent will be invited to tender for this new requirement as part of a fully compliant tender. If they are successful, this will supersede their existing contract.

Market Position:

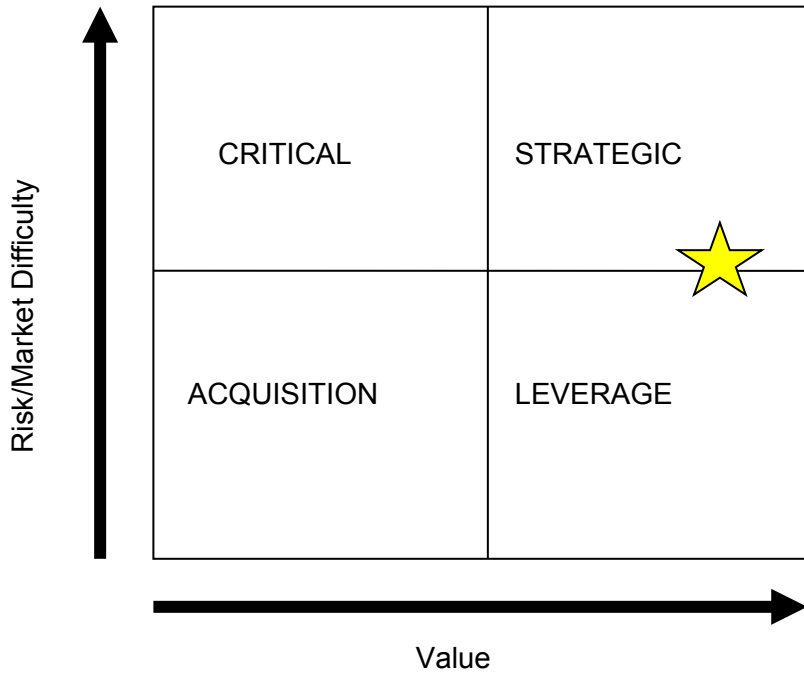
When the original inward investment contract was tendered in autumn 2013, there were initially 11 expressions of interest. However, only 1 tender was received (from Locate in Kent), and the County Council therefore undertook direct negotiations with Locate in Kent.

It was suspected that many bidders may have opted not to participate due to the significant TUPE and LGPS liabilities associated with the contract opportunity. No such issues apply to the proposed procurement.

It is difficult to assess whether there might be other local potential providers able to deliver this service. The nature of the contract is specific to Kent and will require any potential respondent to have a knowledge of the current Kent business landscape in order to "hit-the-ground running". The potential risks associated with a new entry to the inward investment market could be that continuity is lost and that the new service is not provided by a contractor

wholly dedicated to inward investment, as is currently the case.

Nationally, the existing UKTI Investment Services contract with PA Consulting ended in July 2015, and is being re-procured by government. It is understood that a decision on a new three year contract will be made in the next few months, and will include a requirement for the national contractor to work closely with local providers to coordinate and manage foreign direct investment enquiries through to delivery.



Procurement Risks:

What are the main risks in carrying out this procurement (what could go wrong?) How do we mitigate these risks?

Risk	Controls/Mitigating Action
Limited Market for competitive process	➤ The OJEU approach provides the largest coverage. However this was not sufficient in the last exercise, and further consideration will be given if necessary to wider publicity.
EU Funding not secured	➤ There is a risk that the EU funding application may not be granted by DCLG, in which case the procurement will continue with just the KCC funding.
No successful bidder found	➤ Locate in Kent's contract could continue to March 2017, or a further re-procurement is undertaken.

Procurement Route Options & Evaluation:

Part: A OJEU: Yes

The nature of the work requires a single, cohesive approach. The last exercise in 2013 only received one response, so while the OJEU provides a good degree of coverage and is the best option we should also look to advertise through other media. It is essential that this exercise sees competition to underpin a VFM solution. Given the timescales and limited market an Open Procedure is preferred.

In the event (as last time) only one response is received, it is recommended that a negotiated procedure should mitigate any risks and ensure there are sufficient levels of KPI's to manage the contract.

This is a unique requirement and no framework options have been identified.

Procurement Route Recommendation:

Open Tender – Due to the extensive work that the respondents will be required to invest in preparation of activity plan etc, as part of their tender submission, it is felt that it would be necessary to ensure they meet some initial prequalification requirements in order to establish capability and capacity.

It is recommended that some initial market engagement is undertaken to gauge the level of genuine interest in the market place, particularly in view of the previous procurement exercise.

Outline Timescales:

Cabinet Member Approval : September 2015
Procurement Board Approval : October 2015
Advert : October/November 2015
Market Engagement (optional) : November 2015 (2 weeks minimum)
Expression of Interest period : November 2015 – December 2015
Prequalification Period: January 2016
Prequalification Evaluation : January - February 2016
Tender Period : February 2016 – March 2016 (37 days)
Tender Evaluation & Award – March - April 2016

Resources Required:

In preparation of Advert and Specification etc : Client and Procurement (November 2015, approx. 10 days)
Market Engagement (optional): Client approx.. 10 days November
Development Tender documentation: October - November approx. 20 days
Tender Release : Client & Procurement January 2016 Approx. 5 days
Tender Period (clarification etc) : January – February 37 days
Tender Evaluations: February - March 2016 Client & Procurement approx. 20 days including 10 days standstill period.
Award and Contract Finalisation : All parties, approx. 20 days March - April 2016

Reviews Planned:

The contract will be reviewed in relation both to DCLG's anticipated terms and conditions for ERDF grant (ie on a six monthly basis). The project will also be reviewed on a monthly basis with the successful supplier.

The Tender document will be created by Strategic Procurement, with cooperation from the Contract Manager and the Client. It will be QA'd by the Category Manager and Client. The opportunity will be published in the OJEU. Payment for services will be on completion of the monthly reviews and in line with the payment schedule and payment condition.

Approval to Proceed:

Signed (Procurement Professional in accordance with Delegated Authorities Matrix

:

Name:

Date:

Check List

Please review items on check list and complete response box and where appropriate include in plan above.

Check Item	Action Required	Response
Social Value	Social Value needs to be considered	Considered. The specification will include a requirement for the service to complement and contribute to the coordination of wider business support services across the county.
Equalities Impact Assessment	Is an impact assessment necessary, in most cases this will be a requirement the Service are responsible for Carrying this out. If in doubt contact Janice Hill, Equalities & Diversity Officer 01622 221981	Considered. An Equalities Impact Assessment will be completed and will accompany the business case.
Legal Support Required	Legal support requirement should be considered and agreed With the client. Also if a risk of challenge has been highlighted this should be communicated to legal and added to The risks register on the shared drive.	Considered. In consultation with KCC Legal Services, a full legal assessment of the State Aid implications of the project has been prepared by an external legal expert. The risk of challenge is low. The risk of legal action arising from service delivery is low. The service will not be providing financial, legal or technical advice.
Kent Business	Ensure plan has addressed supporting Kent Business	Done. Addressed in business case and specification.
TUPE/Pension Staff Transfers	Ascertain if there is any possibility of Staff transfers and discuss with Client. If TUPE or Pensions may be involved for TUPE discuss with legal for Pensions see Steven Tagg	Considered. No staff transfers apply.
Environment	Are there environmental issues or implications in this contract	Considered. The service is able to make a positive contribution to the environment by enabling access by potential investor businesses to

		support services which will assist them in reducing their energy use and improving environmental practices.
Business Continuity	Business continuity issues this does not just mean IT but consideration of providing essential services	Considered. Specification will require prospective providers to address.
Financial Risk	What is the financial risk associated with this contract, Supplier Risk: how much assessment of the supply base is necessary, what is the risk if a Supplier fails. If the tender is above EU value we should use Finance Projects Team to Carry out financial assessments. Budget Risk: Is the budget confirmed for the duration of the contract	Supplier risk: Low. There is a competitive market for inward investment services. Budget risk: Medium. Although the KCC budget will be confirmed for the project duration, budgetary circumstances might change over time. The EU funding is subject to an application and approval process, and there is a relatively low risk that the application will be rejected.
Collaboration/Access to Contract	Will this contract be shared with others, if so how is procurement being Undertaken.	See procurement plan. The contract will be held by KCC.
Authority to Award	Has the Client ensured that the Correct authority, will be in place when contract needs to be awarded. Suggest to the Client they need to do this now.	Considered. The value of this contract will be require a Key Decision by the Cabinet Member for Economic Development.

Team Member	Proc Officer	Service Lead	Service Specialist	Service Director	etc
Action					
Draft Procurement Plan	A/R	C	C	I	
Specification	C	A	R	I	
Tender using Procontract	R	A	C	I	
Evaluation	C	A/R	R	I	

RACI Template (The template below is an example only please draw up template to suit your project)

RACI	Definition
Accountable	The role who is responsible for ensuring the action takes place (can only be one)
Responsible	The role or roles who actually carry out the action
Consulted	Roles that will be consulted about the task (views need to be considered)
Informed	Roles that will be informed (no decision making or influencing role)

APPENDIX 1

By: David Hughes, Head of Business Engagement and Economic Development

To: Procurement Board – 27 February 2015

Subject: Locate in Kent

Classification: Unrestricted

Summary: The chairman of Locate in Kent has asked if the County Council would review the terms of its current contract with LIK to enable it to compete effectively apply for new European funding opportunities. This would enable the inward investment services provided by Locate in Kent to continue beyond its current contract period to the end of 2018.

This report presents options for the Board's consideration.

1. Background

- 1.1 As part of its efforts to grow the Kent economy, the County Council has had a long term aim to secure inward investment into the county, and to support existing companies to expand rather than relocate out of Kent. Since 1997 this had been delivered by Locate in Kent, which was established by KCC as an inward investment agency, and up until March 2013 was grant funded by the County Council through a three year rolling service level agreement.
- 1.2 Early in 2013 it was felt that there was a need to examine the contractual

relationship with Locate in Kent as the market for this type of service had changed. Whilst advice was sought from BIS as to the best way to proceed, the existing service level agreement with LIK was extended by one year, with an end date of March 2014. In May 2014, BIS advised that the market for these types of services had matured to the point where a competitive procurement exercise should be undertaken.

- 1.3** Following an open procurement process under OJEU rules that commenced in November 2013, in which only one bid was received, the County Council commissioned Locate in Kent in April 2014 to deliver an inward investment service for Kent. The current contract will continue until 31 March 2017 on a 2 +1 years basis, unless terminated in accordance with the Conditions of Contract, and its annual value is £625,000 plus VAT.
- 1.4** One of the key requirements of its current contract with KCC is for Locate in Kent to demonstrate a realistic plan to increase other levels of funding, both public and private, to support the delivery of its services over the life of the contract. This includes the 2014-20 European Regional Development Fund (ERDF) programme. The first call for projects under this programme will be in March, and Locate in Kent has indicated that it would like to submit an application for funding for a three year project that will focus specifically on identifying and attracting foreign direct investment into Kent.
- 1.5** The three year project has an indicative cost of some £3.2m, and would comprise £1.5m match funding from Locate in Kent, £0.3m from the government agency UK Trade and Investment, and £1.4m from the ERDF programme.

2. Issues

- 2.1** Although the current ERDF programme covers the period 2014-20, the government's first call for proposals will be in March 2015. The call will require projects to have a minimum three year horizon and to have a value of at least £1m, so that ERDF funding will be a minimum £0.5m. Successful applications submitted in March are unlikely to be approved by government until sometime towards the end of 2015, which means that projects would be delivered over the 2016-18 period. This also means that applicants would need to demonstrate that they have available match funding for that period.
- 2.2** Locate in Kent's contract with the County Council is due to end in March 2016, with a potential extension until March 2017 subject to satisfactory performance. This would mean, therefore, that at best Locate in Kent would only be able to use the last 15 months or so of the funding it would receive from its current contract with KCC as potential match for an application for ERDF funding. At current contract values, this would be about £0.75m up to March 2017, and would fall considerably short of match funding requirements for an ERDF-funded project covering the period 2016-18.
- 2.3** The chairman of Locate in Kent has therefore contacted the County Council to ask if the terms of its current contract with LIK could be reviewed to enable timescales to be realigned to the period when ERDF funding will become available. This would then provide LIK with an opportunity to deliver an effective three year foreign direct investment programme for the period 2016-18.

3. Potential options

- 3.1** The appendix to this report sets out 5 potential options for the County Council,

with likely implications and risks, which the Procurement Board is asked to consider. Each of the options assumes that the County Council would continue to commit financial support to an inward investment service beyond the current contract period, and least until end 2018.

3.2 In direct response to the request by the chairman of Locate in Kent, the first two options would involve switching to a Single Supplier arrangement, whilst the third option considers an early re-procurement of the inward investment service. With each of these options, LIK would envisage that the County Council's financial support would be £0.5m per annum, which is 20% less than the current year's contract value.

3.3 The fourth option would involve the County Council as the applicant for ERDF funding, with Locate in Kent as the initial provider until March 2017. A further procurement exercise would need to be undertaken for the remaining period to end 2018.

3.4 The final option assumes that LIK might apply to the ERDF programme without the security of having three years' match funding through a contract with KCC.

4. Recommendation

4.1 Procurement Board is asked to consider and advise on the options set out in the appendix to this report.

Author Contact Details:

Name: David Hughes

Directorate: Growth, Environment and Transport

Email: dave.hughes@kent.gov.uk Tel: 0791 763 9120

Potential Options for KCC to consider

Option considered	Implications	Risks
3 year Single Supplier agreement with LIK from Year 2 of current contract (ie from April 2016 to March 2019)	<ul style="list-style-type: none"> Existing KCC-LIK contract would be concluded in March 2016. Optional Year 3 continuation of current contract not taken up. LIK has security of funding for Inward Investment services for additional 2 years. KCC funding reduced to £500K per annum (saving of 20% on existing level of funding). 	<ul style="list-style-type: none"> Open to challenge of unfair competition from other providers of Inward Investment services. Potential challenge on procurement grounds from European Commission and other potential suppliers. Potential reputational risk to KCC significant.
2 year Single Supplier agreement from Year 3 of current contract (ie from April 2017 to March 2019)	<ul style="list-style-type: none"> Existing KCC-LIK contract runs full term (until March 2017). LIK has security of funding for Inward Investment services for additional 3 years. KCC funding would reduce to £500K per annum (saving of 20% on existing level of funding). 	<ul style="list-style-type: none"> Open to challenge of unfair competition from other providers of Inward Investment services. Challenge on procurement grounds from European Commission and other potential suppliers. Potential reputational risk to KCC significant.
Early re-procurement of Inward Investment	<ul style="list-style-type: none"> Existing KCC-LIK contract would be concluded in March 	<ul style="list-style-type: none"> Significant risk to LIK which might not be successful in

<p>services contract from April 2016 until March 2019</p>	<p>2016.</p> <ul style="list-style-type: none"> • Optional Year 3 continuation of current contract not taken up. • KCC funding would reduce to £500K per annum (saving of 20% on existing level of funding). 	<p>securing new contract.</p>
<p>KCC submits Inward Investment services application to ERDF Programme with LIK as initial supplier.</p>	<ul style="list-style-type: none"> • Existing KCC-LIK contract runs full term (until March 2017). • KCC commits to funding inward investment services to end 2018. • Further procurement for Inward Investment service from April 2017. 	<ul style="list-style-type: none"> • KCC may decide not to fund inward investment services beyond life of existing contract with LIK. • Significant risk to LIK which might not be successful in securing new contract.
<p>LIK submits ERDF bid on the basis of existing service contract with KCC.</p>	<ul style="list-style-type: none"> • Match funding capability runs to March 2017 (18 months maximum). • Further procurement for inward investment service from April 2017. • Possibility of new supplier from April 2017. 	<ul style="list-style-type: none"> • LIK bid likely to be rejected because call for proposals to ERDF programme will look for 3 year minimum period. • LIK might not be successful in securing new contract for inward investment service.

KENT COUNTY COUNCIL – PROPOSED RECORD OF DECISION

DECISION TAKEN BY:

Mark Dance, Cabinet Member for Economic Development

DECISION NO:

15/00090

For publication**Key decision***

*Affects more than 2 Electoral Divisions
Expenditure or savings of > £1m*

Subject: Title of Decision

Inward investment services procurement

Decision:

As Cabinet Member for Economic Development, I agree to award the contract for the delivery of inward investment services to the winning bidder of a tendering exercise.

Reason(s) for decision:

There is an existing inward investment services contract with Locate in Kent, which was awarded in March 2014 following an OJEU compliant procurement process, and commenced in April 2014. This contract supports investment activity across all economic sectors within and outside Kent. The contract is for 24 months with an optional extension of one year (which expires in March 2017).

There is now an opportunity to review, refresh and strengthen the County Council's support for inward investment in light both of KCC's developing role as a commissioning authority, and an increasing economic development focus both by central government and the County Council on targeting and investing in those priority sectors with the greatest growth potential (including life sciences, advanced manufacturing, environmental technologies, ICT and digital/creative).

The tender proposal can be viewed on the Council's procurement portal and will include the following delivery targets:

- Securing external investment into Kent and Medway that will create quality jobs;
- Building and converting a pipeline of prospective investment projects in target sectors that will create and maintain jobs in Kent and Medway;
- Promoting the County to target markets and high value sectors;
- Competing with other locations being considered by potential investor businesses and developing compelling reasons why businesses should choose to locate in Kent and Medway;
- Attracting potential investors and providing key information to assist their decision making;
- Working closely with key partners in the County and internationally, in collaboration with UKTI Investment Services teams.

Cabinet Committee recommendations and other consultation:

The process will be discussed at the Growth, Economic Development and Communities Cabinet Committee on 1 December 2015.

Any alternatives considered:

The full OJEU process will allow Kent County Council to test the market to ensure value for money in terms of service quality and price.

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

None

.....
signed

.....
date

By: Mark Dance, Cabinet Member for Economic Development
Barbara Cooper, Corporate Director – Growth Environment and Transport

To: Growth, Economic Development and Communities Cabinet Committee - 1 December 2015

Key Decision No: 15/00108

Subject: Innovation Investment Initiative: Local Growth Fund grant

Classification: Unrestricted

Past pathway of paper: None

Future pathway of paper: None

Electoral Division: All

Summary

The South East Local Enterprise Accountability Board has approved the allocation of £6 million over six years from the Local Growth Fund to deliver the i3 (Innovation Investment Initiative) programme. This will provide loans to small businesses with the potential for innovation and growth in Kent and Medway, with the aim of creating 450 jobs and attracting a further £9 million in private sector investment. This programme has been branded as the Innovation Investment Initiative (i3).

This report explains the i3 programme and sets out KCC’s role. It seeks the support of the Cabinet Committee for KCC to accept the LGF grant allocation and to use it to operate a programme of loans to business.

Recommendations

The Growth, Economic Development and Communities Cabinet Committee is asked to consider and endorse, or make recommendations to the Cabinet Member for Economic Development to:

- i. Decide that KCC shall act as the accountable body for the i3 programme;
- ii. Accept grant funding of up to £6 million capital to deliver the programme;
- iii. Delegate to the Director of Economic Development the authority to sign on KCC’s behalf a Grant Offer Letter;
- iv. Receive further reports on the progress of the programme at future meetings of the Cabinet Committee.

1. Introduction: The Local Growth Fund

1.1. The Local Growth Fund is a national Government capital fund which is allocated to Local Enterprise Partnership (LEP) areas to support business growth and housing delivery. To date, £488.3 million has been indicatively allocated to the South East LEP, the majority of which is for transport infrastructure projects. Release of this funding is subject to individual project approval by the LEP Accountability Board, following the appraisal of a full business case.

2. The Innovation Investment Initiative (i3)

2.1. The LGF allocation to the South East LEP included £6 million capital to support business growth, made available as £1 million per year from 2015/16.

2.2. Following this allocation, the Innovation Investment Initiative (i3) has been designed to provide financial support to small businesses that will invest in projects to enable them to create and adopt innovative products, processes and services, improve productivity and deliver sustainable employment over the long term. The i3 scheme is broadly similar to the TIGER, Expansion East Kent and Escalate programmes, all of which have a strong pipeline of projects. However, it will be available to applicants across Kent and Medway.

2.3. The i3 scheme will not replace commercial sources of finance or offer operating subsidies. Rather, it will support projects with strong business cases for which commercial finance is unavailable on viable terms (for example, because the product or technology involved is untested). The scheme will normally only provide finance for up to 50% of project costs, with the balance funded through private sources, including bank lending.

2.4. Loans will be generally offered interest-free, although arrangement charges will be levied to pay for administration costs. As the Fund offers a subsidised product, all loans investments will be offered as state aid, in accordance with the state aid rules.

2.5. A full business case for the scheme has been developed, and is attached as Annex 2. The South East LEP has independently evaluated the proposal, and i3 was fully approved by the LEP Accountability Board on 13 November.

3. Accountability, governance and management

KCC's role

3.1. Essex County Council, as the accountable body for the LEP, administers the Local Growth Fund money that has been allocated by Government to the South East LEP. KCC will receive £1 million annually as a grant from the Local Growth Fund: KCC will be responsible for assessing applications from

individual businesses, issuing loan agreements, monitoring the loans and for reporting on performance to the LEP and to Government. This role is similar to the accountable body role that KCC currently performs in relation to the Regional Growth Fund programmes. When the loans are repaid, the funds accumulated can be recycled: the details are expected to be set out in the Grant Agreement between KCC and Essex County Council.

Governance arrangements

- 3.2. All applications from business for i3 funding will be appraised. Following appraisal, lending decisions will be made by KCC on advice from an investment advisory panel, drawn from Kent and Medway Economic Partnership and the advisory panels set up for the Regional Growth Fund schemes. The accountable body for i3 funding will be KCC. KCC will reserve the right to refuse any application that does not provide adequate value for money or which presents an unacceptable level of risk.

Management arrangements and costs

- 3.3. There are economies of scale in managing the i3 programme alongside TIGER, Escalate and Expansion East Kent. However, there will be some additional costs incurred: these will be partially mitigated through the charging of arrangement fees, as set out in Annex 2, and work is underway across KCC's business finance programmes to examine ways in which they can be made more sustainable at lower cost to the Council.

4. Risks

- 4.1. A full risk register is included on page 29 of the business case at Annex 1. The main risks are:
 - a) Failure to meet the outputs stated in the business case. This will be mitigated through the robustness of the appraisal and monitoring processes associated with each individual project and through close overall programme management.
 - b) Uncertainty of Government commitment beyond 2016. While the LEP has approved the scheme and £1 million funding is available this year (2015/16), it is not clear what is the Government's commitment for future years. This may be clarified following the Spending Review.

5. Next steps

- 5.1. There is a relatively limited timescale within which to commit funds for 2015/16. Work has therefore already started to inform partners of the new scheme and to

identify potential projects from the existing pipeline. The scheme will be launched in early December, with an initial call for projects.

- 5.2. Currently, the Growth, Economic Development and Communities Cabinet Committee receives regular reports on the progress of the RGF-funded business finance schemes. It is envisaged that this will be extended to the new i3 scheme, if the Cabinet Committee is in agreement.

6. Recommendations

6.1 The Growth, Economic Development and Communities Cabinet Committee is asked to consider and endorse, or make recommendations to the Cabinet Member for Economic Development to:

- i. Decide that KCC shall act as the accountable body for the i3 programme;
- ii. Accept grant funding of up to £6 million capital to deliver the programme;
- iii. Delegate to the Director of Economic Development the authority to sign on KCC's behalf a Grant Offer Letter;
- iv. Receive further reports on the progress of the programme at future meetings of the Cabinet Committee.

Contact details

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Annexes:

Annex 1: Proposed Record of Decision

Annex 2: Business case (October 2015)

Annex 1

DRAFT

KENT COUNTY COUNCIL – PROPOSED RECORD OF DECISION

DECISION TAKEN BY

Mark Dance – Cabinet Member for Economic Development

DECISION NO.

15/00108

Unrestricted

Innovation Investment Initiative: Local Growth Fund grant

Decision:

As Cabinet Member for Economic Development, I agree that Kent County Council shall:

1. Act as the accountable body for the Innovation Investment Initiative (i3) programme;
2. Accept grant funding from the Local Growth Fund of up to £6 million capital to deliver the programme;
3. Delegate to the Director of Economic Development the authority to sign on KCC's behalf a Grant Offer Letter, where required by Government or the South East LEP

Reason(s) for decision

The decision is required so that funding may be secured from the Local Growth Fund to deliver the Innovation Investment Initiative project. This will support business growth, greater productivity and job creation.

Cabinet Committee recommendations and other consultation

To be added following Growth, Economic Development and Communities Cabinet Committee on 1 December 2015

Any alternatives considered:

Two alternatives have been explored:

- a) Channel the new LGF funding via TIGER, Escalate and Expansion East Kent, rather

than set up a new scheme. This would be viable. However, it would involve a complex distribution formula and it would be more difficult to measure the success of the LGF funding, given that the criteria used by the existing schemes are not uniform.

- b) Widen the scope of the i3 programme to cover the whole LEP area. This may assist our ability to lever additional public sector (especially European) resources. However, it would increase complexity and would reduce the amount of funding for Kent.

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

None

.....

..

signed

.....

date

Kent and Medway Growth Hub (Capital)

**Business case to support Local Growth Fund investment in the Kent and Medway
Innovation Investment Initiative (i3)**

REVISED VERSION 2

October 2015

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- Benefit-cost analysis	

1. Project summary

The Kent and Medway Growth Hub (Capital) project will fund the establishment of an **Innovation Investment Initiative (i3)**. This will be a recyclable fund offering loan and equity finance to small businesses with the appetite and potential for long-term growth. i3 will invest in projects which enable businesses to create and adopt innovative products, processes and services, improve productivity and deliver sustainable employment over the long term.

The i3 scheme will not replace commercial sources of finance or offer operating subsidies. Rather, it will support projects with strong business cases for which commercial finance is unavailable on viable terms (for example, because the product or technology involved is untested). The scheme will normally only provide finance for up to 50% of project costs, with the balance funded through private sources, including bank lending.

Loans will be generally offered interest-free, although arrangement charges will be levied to pay for administration costs. As the Fund offers a subsidised product, all loans and equity investments will be offered as state aid under the General Block Exemption Regulation and the *de minimis* rule.

The i3 scheme will build on the success of – and the lessons that we have learned from - existing schemes in Kent and Medway funded by the Government’s Regional Growth Fund. It will operate county-wide and will be supplementary to the existing schemes.

Summary details							
Project sound bite	i3 will provide loan and equity investment to small businesses with the appetite and potential for long-term growth. It will support 60 businesses to increase productivity and invest in innovation in the first cycle of funding and will help to create 450 jobs.						
Project location	Kent and Medway						
Project start date	1 November 2015						
Project end date	31 March 2021(defrayal of original LGF grant. Repayments will continue to be recycled beyond this date).						
Project funding summary to 2021							
	LGF	Recycled LGF	Direct private match	Admin contribution		Totals	LGF intervention
				Private	Public		
Capital	6,000,000	3,000,000	9,000,000			18,000,000	33%
Revenue				270,000	305,338	575,338	0%
Totals	6,000,00	3,000,000	9,000,000	270,000	305,338	18,575,338	32.3%
Overall project value						18,575,338	

2. Project applicant

The applicant for this project is **Kent County Council**, acting on behalf of **Kent and Medway Economic Partnership (KMEP)**.

KMEP is the strategic economic partnership for Kent and Medway. It is one of four federated partnerships which comprise the South East Local Enterprise Partnership. It is responsible for developing the strategic economic plan for Kent and Medway, determining priorities for the Local Growth Fund and other funding streams and for agreeing variances to the Growth Deal within the overall LEP decision-making structure. KMEP is governed by a Board chaired by the private sector and with membership drawn from business, local government and further and higher education.

Kent County Council is acting as the accountable body for KMEP for the purposes of this project. All formal authority to spend will therefore be derived from the County Council. However, KMEP will set strategic goals and monitor performance.

Project applicant details	
Address of applicant organisation	Kent County Council Invicta House County Hall Maidstone Kent ME14 1XX
Senior Responsible Officer	David Smith Director of Economic Development David.smith2@kent.gov.uk 03000 417176
Contact Person	Ross Gill Economic Strategy and Policy Manager Ross.gill@kent.gov.uk 03000 417077 or 07837 872705
Type of organisation	Local authority
VAT number	GB 204 2691 91
Website	www.kent.gov.uk www.kmep.org.uk

3. Strategic fit

3.1. Project objectives

The Innovation Investment Initiative aims to support increased employment and productivity within small and medium enterprises in Kent and Medway with the potential for innovation and growth.

Specifically, it aims to achieve the following objectives:

- Objective 1: Greater commercialisation of innovation, by enabling firms to exploit and develop new, often higher risk, technologies, products and services. The success of this objective will be measured by business expenditure on research and development;
- Objective 2: Increased productivity, by enabling firms to invest in new plant, machinery and equipment where this will increase capacity, reduce waste and deliver economies of scale; and by supporting specialised training costs where this will address productivity constraints. The success of this objective will be measured by the number of businesses reporting financial savings as a result of greater efficiency and increased output per worker hour;
- Objective 3: Increased employment, by increasing firms' capacity for innovation and business growth, leading to a rise in employment demand. The success of this objective will be measured by direct job creation within businesses supported through i3 loans.

3.2. Project description

(a) Project overview

The Kent and Medway Growth Hub (Capital) project will fund the delivery of the Kent and Medway Innovation Investment Initiative (i3). The i3 scheme will provide loan finance to small and medium enterprises with the potential for innovation and growth.

Conventionally, funding will take the form of loans for the acquisition of specialist equipment or premises; in some cases, equity investment may be offered, especially in circumstances where the beneficiary is seeking finance for the development of a new or unproven product.

i3 loans will range from a minimum of £10,000 to a maximum of £250,000. Loans will normally be secured where this is viable, and will generally be offered interest-free. Loans will be offered as state aid through the General Block Exemption Regulation and the *de minimis* rule (see Section 8.1). All loans will require matching commercial investment, so conventionally, i3 will only provide finance to a maximum of 50% of project cost.

All projects seeking i3 support will be independently appraised before they are considered by an Investment Advisory Board. The proposed assessment criteria and governance framework for i3 are set out in Section 7.1.

(b) Sources of capital

i3 capital will be funded by the Local Growth Fund through the Kent and Medway Growth Hub (Capital) allocation. This is £6 million over six years (profiled as £1 million per year).

The i3 scheme will be complementary to funding from the European Regional Development Fund. An outline application has been submitted for an access to finance scheme covering the whole South East LEP area. If successful, this would probably start in mid-2016 and will be more generic in scope compared with i3; however as the success of this project is currently unknown, potential ERDF funding has been excluded from this business case.

All funding made available by i3 will be repayable to the scheme. So while there will be no further new capital invested in the scheme beyond 2021, the scheme will continue for several years (although as the i3 is interest-free, it is not intended to be fully recyclable and the available capital will obviously diminish over time). Further details of i3's sustainability and its long-term exit strategy are set out in Section 7.5.

(c) Relationship with the existing Regional Growth Fund schemes

There are two RGF-financed, geographically-focused schemes in Kent and Medway: Expansion East Kent (£35 million initial fund value, due to close to applicants in 2015/16) and TIGER/ Escalate (£20 million, promoted under separate brands for West and North Kent and now closed to new applicants). Kent County Council is the accountable body for both schemes.

Expansion East Kent and TIGER/ Escalate are both recyclable, and repayments are now being received following the initial distribution of loans. It is currently estimated that around £29 million will be repaid by 2021 (see Section 6.2 for further detail).

It is proposed that initially, the existing schemes will remain separate from i3, recognising that they are geographically ring-fenced and (in the case of TIGER/ Escalate) have some coverage beyond Kent and Medway. However, i3 and the existing schemes will be managed together and funding criteria will be complementary (see Annex 1). In due course, there may be a case for merging the existing schemes with i3, although this will be considered in the light of business need.

(d) Management

The i3 scheme will be managed by Kent County Council on behalf of the Kent and Medway Economic Partnership. The Scheme will be managed by the staff who currently administer the existing RGF-financed schemes, yielding economies of scale. Further details of management arrangements are set out in Section 7.1.

The management of i3 will be funded by arrangement and monitoring fees charged to applicants and by local partners. Over the course of the 2015/16 – 2020/21 period, it is forecast that the contribution through arrangement and monitoring fees will rise as a proportion of total management funding. It is not envisaged that the LGF capital allocation will be used to cover management costs.

(e) Business advisory support

It is envisaged that businesses seeking funding from i3 will receive free support on access to finance, regulatory compliance and business development, linked with referrals to other specialist business support where appropriate. This service will partly be delivered through the new Kent and Medway Growth Hub (revenue) service, which has been contracted to Kent Invicta Chamber of Commerce and which will begin operation in autumn 2015. In addition, businesses that are eligible to receive support through the national Business Growth Service will be encouraged to do so.

(f) Geographical scope

The i3 scheme will operate throughout Kent and Medway. Within Kent and Medway, there will be no restrictions on the geographical coverage of the project.

(g) Timing of delivery

i3 will be launched in November 2015. A forecast expenditure profile is set out in Section 5.1. This envisages that the LGF capital grant will be defrayed according to the profile set out in the 2014 South East LEP Growth Deal.

3.3. Relevance to the Strategic Economic Plan and other strategies

(a) The Strategic Economic Plan

The South East LEP's Growth Deal and Strategic Economic Plan (March 2014) highlighted the existence of gaps in equity and loan finance, especially for smaller businesses with innovative – and therefore risky – propositions. This reflects national research, set out in Section 4.1.

In response to this identified need, the SEP stated that a new programme of financial support for innovation should be established in Kent and Medway, focused on “making a long term difference by investing in activities most likely to deliver added value and increase knowledge economy employment” (para. 4.235). The SEP also identified the need to integrate direct financial assistance with the wider innovation support system, linked with the development of the Growth Hub. The establishment of i3 is therefore directly sequential to the priorities identified in the SEP.

(b) National strategy

The Government's Growth Review (2010) set out an intention to prioritise support for small and medium enterprises with the potential for high growth.

Following this, the national Industrial Strategy developed since 2012 seeks to “increase global competitiveness, support innovation and maximise export potential” (*Industrial Strategy Explained*, October 2014). While the Strategy refers to the need to support businesses in all sectors, it prioritises the advancement of eight ‘great technologies’ in which the UK is seen to have competitive advantage. The Strategy specifically refers to facilitating access to finance as a role for Government, highlighting the role of the British Business Bank.

i3 is consistent with the approach set out in the Industrial Strategy. While focused on providing support for businesses with innovative capacity and potential, it is not restricted to specific sectors and it aligns financial support with a wider business support offer. Section 4.1 explains in more detail how i3 is complementary with products offered via the British Business Bank.

(c) Local strategy

In addition to the Strategic Economic Plan, county-wide economic strategy in Kent and Medway is set out in the emerging Unlocking the Potential, the Kent and Medway Growth Plan. This directly informed the priorities for the SEP, including those regarding access to finance. Supporting Unlocking the Potential, Kent’s smart specialisation strategy, Innovation for Growth also sets out the need to support firms with innovation potential.

3.4. Support for sustainability and equality

(a) Environmental sustainability

Supporting the growth of a lower-carbon economy is a priority of the Kent Environment Strategy as well as the SEP. The Innovation Investment Initiative will support this objective by assisting businesses developing or marketing lower carbon technologies and seeking to reduce carbon use through process innovations.

In addition, there is already a link between the ERDF-funded Low Carbon Plus (LC+) programme, which provides small grants to businesses in the low carbon and environmental goods and services (LGCES) sector and the existing Regional Growth Fund-backed loan schemes. Specifically, applicant data has been shared across the two schemes and applicants are signposted between the two as appropriate. LC+ will close in June 2015; however a successor programme (LOCASE) has recently been submitted for consideration for ERDF funding. It is envisaged that the current close working between LC+ and the RGF schemes will continue into the new programmes.

It is not envisaged that there will be any adverse long term environmental effects as a result of i3. In the short term, there could be minor adverse effects (for example through business miles). These will be mitigated as far as possible by the provision of appropriate business advice.

As a major project, i3 will be integrated into the KCC ISO14001 programme to ensure any negative impacts are mitigated and all positive aspects maximised. It will be subject to the

County's Environment Policy and targets which include carbon, waste, water use and business miles reduction.

(b) Equalities

The project will be run in line with Kent County Council's Equalities Strategy and Policy.

It is not envisaged that i3 will have any negative impacts on any groups in society. However, the programme will have some disproportionate positive impacts. In particular, i3 is designed to benefit SMEs and their employees. Given the focus on support for innovative businesses, it is likely that job outcomes will disproportionately accrue to those with higher-level skills, and that (all other things being equal) beneficiary business owners and directors will reflect the prevailing demographic for that group.

Given these likely impacts, efforts will be made to ensure that the benefits of i3 are widely spread. Specifically, an Equalities Plan will be produced at the start of the project following an equalities impact assessment. Particular principles to be applied will be:

- Efforts will be made to support beneficiary employers in engaging with Jobcentre Plus to fill job vacancies created as a result of i3 support;
- Cross-marketing will take place to ensure that businesses benefiting from i3 loans scheme are aware of and able to access apprenticeships and associated funding;
- Efforts will be made to encourage applications from relatively disadvantaged parts of Kent and Medway (especially in East and North Kent), building on the project pipeline and business connections established by the Regional Growth Fund schemes.

4. Rationale and additionality

4.1. The need for the project and evidence of market failure

(a) The general case for intervention to support innovative firms

There is a strong consensus that long-term economic performance is dependent on the ability to generate and exploit innovation (Cohen, 2010). However, research suggests that the public returns to innovation (for example in the generation of new technologies and products available for wider exploitation and in aggregate employment) are greater than the private returns (Martin, 2012). Government policy therefore seeks to support innovation, as set out in the Industrial Strategy (2012), the Innovation and Research Strategy for Growth (2011) and Smart Specialisation in England (2014), all published by BIS.

A recent review of the links between innovative firms and growth (Coad *et al*, 2014) yields a number of important findings on which the design of the i3 scheme is based:

- First, although innovation supports higher growth in the long run, very fast growth is hard to predict and is generally episodic rather than sustained over time. This highlights the importance of support for firms to develop innovative capacity – which might require levels of initial investment greater than that which would otherwise be available from the market – rather than support for high growth *per se*.
- Second, innovative firms are quite widely distributed. Although it is often assumed that entrepreneurial start-ups are concentrated around particular technology hubs (e.g. as spinouts from universities), their geographical distribution is fairly even and they are multi-sectoral. Effectively exploiting innovation (wherever it may have originated) is also just as important for growth as generating it in the first place. These research findings reflect the practical experience that has been gained through the operation of the RGF schemes in Kent and Medway.

This suggests a need for measures to support innovative companies wherever they are located and whichever sectors they work in – and a focus on commercialisation and exploitation as well as R&D.

- Third, investment in capacity is important. In particular, the growth process appears to start with increased employment, which creates the capacity for product development and leads to future sales. So early stage measures to generate capacity for growth (such as investment in plant and machinery and workforce capacity) are equally or more important than measures to support sales and marketing.

(b) The case for financial assistance

The general case for public sector financial assistance to innovative SMEs is rooted in the fact that:

- Public returns to innovation often outweigh private returns (as highlighted above);
- Innovation is characterised by uncertainty, which impedes the availability of market finance on viable terms.

Consequently, innovative SMEs are more likely to perceive financial barriers as significant impediments to growth than SMEs generally. Indeed, financial obstacles are identified by innovative SMEs as the greatest constraints on innovation, substantially ahead of perceived regulatory and information barriers (Coad *et al*, 2014).

(c) Emerging need since the creation of the RGF-funded schemes

In designing i3, we have reviewed the changes in the economic need for SME finance schemes in Kent since the Regional Growth Fund schemes were established in 2011-13.

Nationally, RGF was partly seen as a counter-recessionary programme, aimed at providing direct finance to business in conditions of general credit constraint. In addition, it sought to provide a local economic stimulus by encouraging the creation of private sector jobs (over the relatively short term) in locations most dependent on public sector employment.

To date, the RGF schemes in Kent and Medway have been successful in achieving these objectives. Business projects receiving finance from Expansion East Kent and TIGER/ Escalate are contracted to create or safeguard 5,548 private sector jobs and have secured £88.2 million in private sector leverage (see Annex 4 for details). Over the next few years, the size of the existing programmes will decrease, as they are reliant on recycled loans, although there will still be around £7 million available for loan across the county in 2016/17.

However, despite the success of the RGF schemes, the ‘macro’ challenges for which they were created remain. In particular, bank lending to SMEs remains constrained compared with pre-recessionary levels, despite improvements in the availability of credit for larger, lower-risk firms (Bank of England, 2015). Our experience of the demand (and quality of demand) for loan finance from the existing RGF schemes also suggests a need for continued targeting towards generally less buoyant areas such as East Kent.

It is therefore proposed that the existing RGF schemes remain in place, open to all businesses with the potential for growth, with local differentiation in the availability of funds and with a stronger orientation to support for small businesses.

However, while the existing schemes will respond to general small business demand, innovative and high-growth companies face the greatest constraints in accessing finance, for the long-standing reasons highlighted above. In particular, small and ‘unproven’ innovative SMEs face the greatest challenges “as the costs of addressing information barriers [i.e. the lack of information that potential lenders or investors have about the future prospects of the firm] are higher as a proportion of the finance being sought for smaller deals” (Elster and Phipps, 2013). The Innovation Investment Initiative seeks to specifically address this gap by providing a county-wide fund operating to regular, targeted calls for projects directly concentrated on innovative SMEs. This will be

complementary to the existing schemes, with shared management ensuring that businesses are appropriately signposted and that duplication is avoided.

4.2. Demand for the project

There is strong evidence of business demand. Both the TIGER and Escalate schemes have now closed to new applicants, although a pipeline of pre-applications have already been submitted for the two schemes, should a successor programme be established with recycled funds. Expansion East Kent has not yet closed, but over the course of the scheme, demand has substantially exceeded supply, with over 1,000 applicants to the programme to date.

Not all of this potential demand will translate into real demand, and not all of it will be appropriate for the i3 scheme, and efforts will need to be made to drive demand from those businesses with the greatest potential for innovation, but which face challenges in accessing conventional finance. But some of the existing pipeline will form a base of potential demand for the new scheme.

4.3. Options analysis

Four viable options have been considered, including the preferred option.

(a) Option 1: No additional action: Continue existing schemes using recycled funds without the creation of i3

This option involves the retention of the existing Expansion East Kent and TIGER/ Escalate programmes using repayments from those schemes, without the creation of an additional scheme:

Advantages	Disadvantages
<ul style="list-style-type: none"> Existing schemes retained – familiar to business Clarity – no additional schemes or brands to confuse the market 	<ul style="list-style-type: none"> Limits targeted focus on firms with innovative potential Unlikely to enable a suitable vehicle to attract future ERDF funding

(b) Option 2: Deliver additional i3 funding via the existing schemes

This option involves the channelling of additional funds from the LGF into the existing vehicles, effectively ‘topping up’ the RGF programmes.

Advantages	Disadvantages
<ul style="list-style-type: none"> Existing schemes retained – familiar to business No additional schemes or brands to confuse the market 	<ul style="list-style-type: none"> Practically difficult due to local ringfencing of existing schemes – a scheme targeted at a limited number of innovative businesses will be hard to deliver county-wide when the availability of funds varies substantially across the

	county <ul style="list-style-type: none"> • Potentially destabilises existing schemes, which already work well
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(c) Option 3: Preferred option

The preferred option is that outlined in this business case. This involves the creation of a new Innovation Investment Initiative, alongside the retention of the existing RGF schemes.

Advantages	Disadvantages
<ul style="list-style-type: none"> • Clearly targets firms with innovative potential • Provides a vehicle suitable for further funding from ERDF or other sources • Complementary to RGF-funded schemes, but avoids destabilising existing arrangements 	<ul style="list-style-type: none"> • Some additional administration (although significantly mitigated by the use of joint management team).

(d) Option 4: Preferred option, but covering a wider geographical area

This option is the same as Option 3, but would extend the coverage of i3 to include the rest of the LEP and perhaps a wider area.

Advantages	Disadvantages
<ul style="list-style-type: none"> • As Option 3, plus: • Potentially stronger pipeline • Potentially more attractive as a vehicle for future ERDF funding 	<ul style="list-style-type: none"> • Limited funding in first instance: unlikely to be sufficient to cover a wider area • Diseconomy of scale, as management team and market knowledge focused on Kent • Potentially confusing if scheme duplicates locally-backed initiatives in other areas

Merger of all existing schemes into a single fund, with the addition of LGF funding was also considered. While potentially attractive, commitment to local ringfences make this impractical at this stage, so this option is considered unviable.

At present, Option 3 is the preferred option. However, Option 4 may be an attractive option in the future, as the i3 scheme becomes established and if further funding allows.

4.4. **Additionality: The need for LGF support**

(a) Scheme additionality

The i3 proposition is complementary to several schemes:

- The RGF-funded schemes, as set out earlier. Section 4.1(c) explains how i3 is complementary to Expansion East Kent and TIGER/ Escalate. Specifically, i3 will target funding directly towards businesses with potential for innovation through a programme of specified calls for projects. The RGF schemes will maintain a broader focus, supporting growth and employment in the wider economy.
- Small-scale loan schemes exist in Medway (Partners for Growth, funded by Medway Council) and the Romney Marsh. These provide small loans (usually below £10k), on an interest-free basis within specific geographical boundaries. The funding provided by these schemes will generally be smaller than that provided by i3 and mostly focuses on generic SME support. However, Partners for Growth in particular will help to drive demand for the larger scheme.
- Grants for innovation, provided by Innovate UK. There are several products offered by Innovate UK, which seek to promote investment in R&D and its commercialisation. A full list is set out at www.gov.uk/innovation.

The i3 scheme complements the Innovate UK offer. Whereas Innovate UK is 'technology-led' (i.e. focusing on specific technologies and research that will support growth), i3 is 'firm-led' (i.e. investing in capacity – physical or human – within firms that will enable them to effectively exploit innovation). This reflects the need to support investment in capacity identified in section 4.1(a), as well as the relative strengths of Innovate UK in understanding technology drivers and KMEP in understanding local business capacity.

- University support, including business incubator facilities and access to university research expertise (such as via innovation vouchers). This support does not generally take the form of direct loan finance; however, premises and advisory support will complement i3 support in strengthening business survival prospects.
- Government-backed equity schemes. There are several equity schemes supported by the Government, including the Enterprise Capital Funds programme and the Business Angel Co-investment Fund. Both operate nationally, although funding is relatively limited. A smaller equity fund has also been established focused on businesses at Discovery Park Enterprise Zone in East Kent. The i3 loan fund is complementary to these equity funds and businesses will be signposted as appropriate.
- The Business Finance Partnership. The BFP invests Government funding in fund managers and non-traditional lenders (such as peer-to-peer lending), who then make funding available to SMEs on a co-financed basis. BFP backed loans could be attractive to some i3 target businesses; however unlike i3, BFP lends on fully commercial terms. But for some businesses with unproven products or markets, fully commercial terms will be unviable.

Overall, there is no direct duplicate of the Innovation Investment Initiative. The nearest similar products are the RGF-funded schemes, but these will be managed to ensure clear scheme differentiation.

(b) LGF additionality

The Local Growth Fund will be enabling the delivery of a new fund to support innovative businesses. This is additional to the support currently provided through the RGF schemes and other Government-financed products, as outlined above.

5. Project schedule and outputs

5.1. Project schedule

(a) Assumptions

The Innovation Investment Initiative will be managed through a series of regular, open competitions. These competitions will set the criteria against which businesses can come forward with eligible proposals for loan funding and will be time-limited.

At this stage, the project schedule and deliverables have been set on the assumption that the Local Growth Fund is the only source of capital for the Fund, and that the Fund has £1 million per year (plus any repaid loans). However, additional funds may be sought from other sources.

Competition dates assume that funding is available. However, should very strong applications come forward, the Investment Advisory Board may decide to make funds available in an earlier round and reduce availability later.

No recruitment processes are required as management staff are already in place.

(b) Schedule

Action	Completion target
Scheme setup	
Detailed scheme design developed	October 2015
Scheme approved by KMEP	November 2016
Investment Advisory Board recruitment process	November 2015
Investment Advisory Board approved (KMEP/ KCC)	December 2015
Competition criteria determined	December 2015
Delivery	
Competition 1 launched	December 2015
Competition 1 closes	January 2016
Competition 1 funding decisions	February 2016
Competition 2 launched	March 2016
Competition 2 closes	April 2016
Competition 2 funding decisions	June 2016
Competition 3 launched	July 2016
Competition 3 closes	August 2016
Competition 3 funding decisions	October 2016
Competition 4 launched	November 2016
Competition 4 closes	December 2016
Competition 4 funding decisions	February 2017
<i>[then all future competitions on 6-month cycle]</i>	
Review and evaluation	
Regular Scheme Review	After each competition round
Mid-term evaluation	2017
Final evaluation	2021

5.2. Outputs

Output	Target	Measured by	Rationale
Businesses directly assisted	60	Number of businesses securing i3 loan finance	Assumed average loan value of £100k. This is lower than the average loan value across the RGF schemes, but in line with Escalate, the most similar of the RGF schemes to i3 in targeting smaller, innovative businesses.
Businesses surviving after 3 years	54	Number of businesses directly assisted still trading independently or acquired	Assumed failure rate of 10%. This is higher than the actual failure rate for the RGF schemes (currently 5% for Expansion East Kent), but reflects the higher risk profile of target businesses.
Jobs created or safeguarded	450	Number of FTE jobs created or safeguarded as a result of i3 support (assuming 1 FTE = 30 hours/ week+)	Assumed cost per job of £20,000. This is considerably higher than the cost per job achieved on the RGF schemes (£8,920), but reflects the likely higher value of jobs supported and the lower labour intensity of likely activity.
Private leverage	£9m	Private sector funding to projects supported by i3	Assumed i3 contribution of 50% of project costs (both on the initial RGF capital and recycled funds within the period to 2021)

It is also anticipated that i3 will contribute to increased business collaboration with the higher education sector (e.g. through the take-up of innovation vouchers) or with other businesses.

Outputs are set out linked with funding flows across the Scheme in Annex 3.

6. Costs and funding

6.1. The i3 Loan Fund

(a) Loan Fund initial capital

The i3 loan fund will be financed by LGF grant of £1 million per year. All LGF funds will go directly into the i3 loan fund to be disbursed to business.

(b) Loan Fund repayments

All loan repayments will be reinvested in the fund. In order to estimate the level of funds that will be available, it has been assumed that:

- All loans are interest-free;
- Provision is made for bad debt at 10% of all loans. This is higher than the bad debt currently incurred on the Expansion East Kent and TIGER/ Escalate schemes, but reflects the higher risk associated with innovative businesses and products;
- All loans are repaid over five years, with repayments starting in the financial year following the commitment of the loan.

(c) Private sector leverage

All projects will be required to demonstrate private sector leverage to a ratio of at least 1:1. It is assumed that all i3 funds will therefore be matched pound for pound.

Based on the above assumptions, total Fund availability is estimated as:

	15/16	16/17	17/18	18/19	19/20	20/21
i3 (initial funds)	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
i3 (repayments)			500,000	500,000	1,000,000	1,000,000
i3 (total)		1,000,000	1,500,000	1,500,000	2,000,000	2,000,000
Private match	1,000,000	1,000,000	1,500,000	1,500,000	2,000,000	2,000,000
Total programme value	2,000,000	2,000,000	2,500,000	2,500,000	3,000,000	3,000,000

This is set out in greater detail in the spreadsheets in Annex 3.

6.2. Management costs

The i3 scheme will be managed alongside the existing RGF programmes and will be funded in the same way, through:

- Initial administration charges of 3% of loan value; and
- Local authority contributions

Work is currently underway to identify savings in overall management costs; however, the following table illustrates management costs and funding:

Annual operating costs						
	15/16	16/17	17/18	18/19	19/20	20/21
	49,913	102,192	111,808	104,808	104,808	101,808
Financed by						
Arrangement fees	30,000	30,000	45,000	45,000	60,000	60,000
Local authority contribution	19,313	72,192	66,808	59,808	44,808	41,808

6.3. Benefit-cost analysis

A benefit-cost analysis of the Scheme has been carried out, based on a central scenario reflecting the estimates set out in this document and an adjusted (pessimistic) scenario. Both scenarios consider the benefits and costs of the Scheme over a 15 year period to 2029/30, taking into account funds recycled during this time.

The full BCA is set out in the spreadsheet in Annex 3. In summary:

Central case		Adjusted case	
<u>Assumptions:</u>		<u>Assumptions:</u>	
Cost per job	£20k	Cost per job	£25k
Failure rate	10%	Failure rate	20%
Deadweight	20%	Deadweight	40%
Displacement	15%	Displacement	30%
Indirect effects multiplier	1.3	Indirect effects multiplier	1.1
Arrangement fees	3% of loan value	Arrangement fees	Reduced by 50%
Inflation	2%	Inflation	3%
<u>Outcomes</u>		<u>Outcomes</u>	
Discounted benefits	£78,412,312	Discounted benefits	£10,454,476
Discounted costs	£6,273,297	Discounted costs	£6,273,297
<u>BCR</u>	<u>12.50</u>	<u>BCR</u>	<u>1.67</u>

The BCR for the adjusted case is substantially lower than for the central case. However, allowing for 'worst-case' scenarios in cost per job, business failure rates and additionality, the project remains value for money on the adjusted case.

7. Governance and project management

7.1. Project management and delivery structures

(d) Governance

The accountable body for this project will be Kent County Council (KCC). All loan agreements and contracts arising from the project will be issued by KCC.

If this project is approved, KCC will take a Cabinet Member Decision to establish an Innovation Investment Initiative and to create a mechanism to make loan finance available to business, consistent with any provisions set out by Government as the funding provider or by Essex County Council as the accountable body for the Local Growth Fund.

The mechanism to make i3 funding available to business will involve:

- Consultation with Kent and Medway Economic Partnership on the design of the scheme (as well as regular reporting to KMEP Board on scheme performance); and
- The establishment of an Investment Advisory Board (IAB). The IAB will consider competition specifications and all applications for funding following appraisal and will make recommendations to KCC. The IAB will be made up of 6-8 representatives from the public sector and from industry.

(e) Delivery strategy overview

As the accountable body for the project, KCC will employ the Management Team. The Management Team will be the existing management resource employed to deliver the Expansion East Kent and TIGER/ Escalate schemes – so there will be no additional management cost to the public sector as a result of i3. The i3 scheme will also use the CRM, application and monitoring arrangements that we already have in place.

KCC will contract with an external organisation to provide appraisal support. KCC will also contract additional business support to beneficiary businesses and prospective applicants, via separate Growth Hub revenue funding.

(f) Project management

Overall management of i3 will be carried out by the Regional Growth Fund Manager, reporting to the Head of Economic Development and Business Engagement within KCC.

Day-to-day management of the Fund will be carried out by one of two Programme Managers currently reporting to the RGF Manager. The team also includes contracts and monitoring and administrative support.

(g) Decision-making process and criteria

The Investment Advisory Board will be responsible for recommending to Kent County Council whether or not an application for i3 funding should be approved, and any conditions that should be applied.

At its first meeting, the IAB will consider a draft Delivery Plan, which will set out criteria for funding and the objectives of each competitive funding round. The Delivery Plan will be updated every six months in advance of each round. It is anticipated that criteria for loan approval will include:

Eligibility criteria

To be eligible, businesses must:

- Be considered small or medium enterprises (i.e. employ fewer than 250 people, or have an annual turnover not exceeding €50 million or a balance sheet not exceeding €43 million);
- Spend the full value of the i3 loan on a project taking place within Kent or Medway;
- Secure at least 50% of the costs of the project in cash from private sector sources before the loan agreement is concluded;
- Be able to demonstrate that funding cannot be secured from private sector sources
- Not be engaged in a restricted sector according to the state aid regulations (including primary agricultural production).

Projects must:

- Demonstrate how they will lead to the development or commercialisation of a new product or service, or how they will deliver a process innovation that will yield higher productivity;
- Demonstrably lead to business growth and/ or sustainable job creation;
- Demonstrate how they contribute to sustainable growth and the development of a low carbon economy;
- Meet the sectoral or technology criteria associated with the specific competition round.

Eligible expenditure

i3 loan funding may be used for:

- Commercial premises: costs of deposit, moving and improvement of premises, including construction and improvement works (although not premises or land purchase)
- Plant and machinery: costs of re-tooling and installation of machinery and hardware and training required to operate it
- Intangible assets: including costs of purchasing patents, IT, software and licences
- Consultancy costs (e.g. marketing, business planning)
- Wage costs of new employees
- Gap funding: funding required to cover gaps in working capital where commercial funding sources (e.g. overdrafts and invoice finance) cannot provide the full

requirement. In such cases, the business will need to demonstrate why there is a funding gap, and that all other sources have been explored.

i3 loan funding may not be used for working capital (other than within the definition of gap funding above), the acquisition of real estate or the acquisition of motor vehicles.

The state aid basis for the Fund is set out in Section 8.1.

The competitions process

Applications to the Innovation Investment Initiative will be sought through a series of competitions. It is envisaged that these will focus primarily on specific technologies and applications related to key areas of growth within the local economy (for example agritech or life sciences). However, recognising that innovation occurs in all sectors and often in areas that policymakers are unable to predict, competitions will also be open to wider applications.

Appraisal criteria

All applications for i3 funding will be appraised before they are considered by the Investment Advisory Board. Appraisal will generally be undertaken by independent advisors, using relevant industry expertise where appropriate. Criteria for appraisal will include:

- The viability of the applicant's business plan and their ability to generate sustainable growth;
- The likelihood of the project driving product or process innovation that will support the innovative capacity of the business;
- Jobs created or safeguarded as a result of the project;
- The contribution of the project to wider economic growth (through for example supply chain impacts or wider productivity gains); and
- Private sector leverage

Approval

Appraised projects will be considered by the Investment Advisory Board, which shall decide whether or not to recommend approval. Kent County Council as the accountable body will then formally make final investment decisions.

Post-approval decisions

Following KCC's Cabinet Member decision described in 5.2(a), authority will be delegated to the Director of Economic Development to enter into loan agreements with beneficiaries and to authorise expenditure.

The Director of Economic Development will also have the authority to stop payments or claw funds back in the event of a failure of a project to deliver, or in the event of

irregularities in the original application. However, the Programme Management and team will work to ensure that any performance issues are resolved in good time.

(h) Customer journey

The following paragraphs describe how i3 will work from the perspective of beneficiary businesses.

According to the timetable in Section 5.1(b), applications will be invited via time-bound competitions. A prospectus for each competition will be published when the competition is launched.

Following the launch of the competition, applicant businesses will complete the following steps

- Step 1: Businesses considering applying to i3 will complete a 'pre-application' form on the Kent County Council website (www.kent.gov.uk/business). This will be open for a defined period (usually 4-6 weeks) and will allow the programme team to check for basic eligibility using the eligibility criteria set out in Section 7.1(d) above.
- Step 2: If the business is eligible, it will be sent the full application form and advised of appropriate sources of advice. The business will have a fixed period in which to submit its application.
- Step 3: The business submits its i3 application to Kent County Council. Once checked for completeness, the application will be appraised and considered by the Investment Advisory Board.
- Step 4: If the application is approved, a loan agreement will be entered into between the business and Kent County Council, subject to the resolution of any conditions advised by the IAB or by KCC. When the loan agreement is concluded, an arrangement fee will be charged by KCC to cover management and administration costs (see Section 6).
- Step 5: The business will draw down loan funding in accordance with the profile set out in the loan agreement. Conventionally, this will be linked with funding need.
- Step 6: Loan repayments will be made in accordance with the profile set out in the loan agreement. Once the first loan payment has been drawn down, businesses will be monitored by the Management Team for up to three years from the final repayment date.

7.2. Monitoring, reporting and control

(a) Control

The Programme Manager will have overall responsibility for the successful delivery of the project, ensuring that it links to other relevant programmes and reporting to the Director of Economic Development. The Programme Manager will ensure that project is managed in line with the Funding Agreement taking into consideration the views of the Investment Advisory Board.

(b) Monitoring state aid

State aid will be monitored on the KCC's Customer Relations Management (CRM) system and will be collected once a business registers with the project. Before support is provided, the Management Team will ensure that the business and the project are compliant with state aid rules.

(c) Monitoring finance

The Management Team will be responsible for collating and retaining all documentation relating to finance including grant applications, grant agreements, invoices and timesheets.

(d) Verification and audits

The Management Team will coordinate all monitoring or audit visits. Any issues/irregularities raised at these visits will be managed by the Management Team and logged on the Project Issues log. Any issues which cannot be resolved will be raised to the Programme Manager and the IAB as applicable.

(e) Record keeping

The Management Team will maintain all project records including all LGF related documentation, correspondence from/to DCLG, quarterly claims, evidence of businesses assisted, etc. All documents will be retained until 3 years after the closure of the programme.

(f) Project monitoring

The Monitoring and Contracts Officer will monitor progress against outputs and targets monthly, reporting to the Programme Manager. Any issues/barriers will be raised to the Programme Manager or the IAB.

(g) Claims

Claims will be made quarterly in advance, and will be accompanied by monitoring returns as required by Government or the LEP Accountable Body

7.3. Risk assessment

A risk assessment is set out in Annex 1.

7.4. Evaluation

A mid-project and end-project evaluation will be carried out.

The mid-project evaluation will take place in July 2017, and the end-project evaluation will take place in 2020.

The evaluation will consider:

- Impacts on business performance (including productivity and product development);
- Employment impacts and benefits of the project (including direct jobs created and safeguarded);
- Environmental impacts and benefits (including resource efficiency);
- Distributional effects (including the geographical distribution of benefit across Kent and Medway and equalities impacts);
- Achievement of actual against anticipated outputs;
- Integration with other loan, grant and business support programmes available in Kent and Medway;
- Risk management;
- Lessons learned from i3 and how they can inform future projects.

The evaluation will also seek to measure:

- The extent to which the scheme supports the commercialisation of innovation, including R&D spend and new capital and revenue investment by the firm;
- Productivity gain, evidenced through sales increases and cost savings;
- Indirect employment effects, for example through benefits to suppliers.

Kent County Council has recently entered an agreement with the University of Essex's Big Data Centre, through which the University will offer support in developing a more consistent framework for project evaluation. It is envisaged that the University will be engaged in the ongoing evaluation of the i3 project, including at mid-project and end-project review stage.

7.5. Exit and legacy/sustainability

(a) Exit strategy at the beneficiary level

All i3 loan applications will be carefully appraised to ensure that all finance is used to cover the costs of specific projects which will deliver business growth, and is not used to support working capital. The viability of the applicant business and its ability to generate sustainable growth without further public support will be a key criterion in the appraisal process, and businesses will need to secure at least 50% of project costs through private

sector sources. It is therefore intended that i3 will fund specific investments in innovative firms, rather than provide ongoing support.

(b) Exit strategy at the fund level

As set out in Section 4.1, the difficulties experienced by smaller, innovative companies in accessing finance are well documented, and there is frequently a role for the public sector in making finance available on sub-market terms, recognising that the economic gains from innovation are greater than the private returns. There is therefore likely to be an ongoing requirement for public sector support for a scheme such as i3 beyond the end of the funding period in 2021. This ongoing demand will be partly met through the reinvestment of repaid loans (although the balance of the fund will diminish over time unless interest payments are introduced) and partly through other funding sources, in particular ERDF.

However, while there is likely to be a requirement for public sector assistance, the mid-term and final evaluations will inform whether or not this requirement should continue to be met through i3, taking into account other products supported by Government.

(c) Assets

It is not intended that there will be any assets acquired by Kent County Council with LGF funding for this project. However, KCC will take security against assets where appropriate when entering into loan agreements. Where KCC disposes of assets acquired as a result of the bankruptcy of a beneficiary business, receipts will be returned to the i3 loan fund, minus costs.

(d) Monitoring and reporting

Monitoring and reporting requirements beyond 2021 will be covered by Kent County Council.

8. Compliance

8.1. State aid

The Innovation Investment Initiative will offer state aid. This is because loan funding will be offered interest-free – so the interest forgone is essentially grant. The grant equivalent will be calculated according to the EU reference rate and will be made available as one of the following forms of legal state aid:

(a) Aid provided through the General Block Exemption Regulation

In most circumstances, aid will be provided through the GBER, through the following exemptions:

- a) Investment Aid to SMEs (Art. 17 of Commission Regulation (EU) 651/2014). This provides that aid of up to 20% of project cost may be provided to small enterprises for the purpose of investment in tangible or intangible assets. We anticipate that the majority of loan funding will be offered as Investment Aid to SMEs, and that all funding for the acquisition of plant and machinery will be offered under this measure;
- b) Innovation Aid for SMEs (Art. 28 of Commission Regulation (EU) 651/2014). This provides that aid of up to 50% of project costs may be provided for the purpose of obtaining, validating and defending patents, other intangible assets, costs of secondments of highly qualified personnel and advisory and support services;
- c) Aid for Start-ups (Art. 22 of Commission Regulation (EU) 651/2014). This provides that aid of up to €800k may be provided to small innovative enterprises less than five years old.

(b) Aid provided under the *de minimis* rule

Where it is not possible to offer assistance via the GBER, support may be offered under the *de minimis* rule. This provides that businesses in non-restricted sectors may obtain up to €200,000 in *de minimis* aid in any three year period.

Applicant businesses will need to demonstrate that they are compliant with the *de minimis* rule. This includes demonstrating that they have not previously received *de minimis* aid (or other forms of aid which cumulate with *de minimis* aid within the state aid rules) to the extent that they would exceed the *de minimis* ceiling as a result of i3 support. A standard notification will be used to inform businesses that they are obtaining state aid under the *de minimis* rule.

3.1. Procurement

KCC has a full procurement policy and will follow this, unless the Government requires more as a condition of grant. A full copy of KCC's procurement policy can be found at:

<https://shareweb.kent.gov.uk/Documents/business/procurement/spending-councils-money.pdf>

The main item for procurement will be project appraisal support. It is envisaged that this will be competitively tendered together with support for Expansion East Kent and TIGER/ Escalate when these are due to be retendered in 2015. No expenditure has already been procured.

3.2. Publicity

A Publicity and Communications Plan will be produced during the set-up phase. This will determine the initial marketing materials to be used and a programme of events and workshops to promote i3.

It is anticipated that business intermediary organisations, such as Chambers of Commerce, local business forums, the Federation of Small Businesses and private sector advisors (such as accountants, banks and financial advisors) will be important channels of communication about i3, as will the other local authorities in Kent and Medway. KCC already has good networks with these bodies, associated with our current management of the Regional Growth Fund product range.

KCC's business-facing website at www.kent.gov.uk/business will be used as the gateway to i3 support. However, the [Kent and Medway Growth Hub](#) website will also contain information about i3 (and other sources of funding and support), and Growth Hub advisors will be fully informed about the Scheme's availability and criteria.

In all publicity, Government support will be fully acknowledged, consistent with any publicity requirements.

Annex 1: Risk assessment

Risk	Inherent risk (1-5)			Mitigation	Residual risk (1-5)		
	Probability	Impact	Rating (P*R)		Probability	Impact	Rating (P*R)
Duplication of existing schemes, leading to confusion of market	3	4	12	<ul style="list-style-type: none"> • Clear scheme criteria • Management alongside RGF schemes to ensure coordination/ avoid duplication 	1	4	4
Poor marketing and awareness leading to weak demand	3	2	6	<ul style="list-style-type: none"> • Use of intermediary networks (Chamber of Commerce, districts, etc) • Joint marketing alongside RGF schemes • Strong existing marketing 	1	1	1
Insufficient funding to satisfy demand	4	3	12	<ul style="list-style-type: none"> • Clear scheme criteria and process for selecting successful projects 	3	2	6
Poor quality applications leading to high rejection rate	3	4	12	<ul style="list-style-type: none"> • Clear published criteria • Established support networks in place supplemented with Growth Hub 	2	3	6
Poor project selection leading to failure to achieve outputs	4	5	20	<ul style="list-style-type: none"> • External appraisal • Clear decision-making process via IAB • Effective project monitoring 	2	2	4
Failure to comply with state aid rules	2	5	10	<ul style="list-style-type: none"> • Clear scheme criteria linked with state aid rules • Consideration at appraisal, 	1	3	3

Risk	Inherent risk (1-5)			Mitigation	Residual risk (1-5)		
	Probability	Impact	Rating (P*R)		Probability	Impact	Rating (P*R)
				<ul style="list-style-type: none"> contracting and claim • Effective project monitoring 			
Failure to secure private sector match	2	4	8	<ul style="list-style-type: none"> • Match requirements linked to scheme criteria • Promotion to banks and intermediaries 	1	3	3
Lack of additionality as businesses could have secured funds through other sources	4	4	16	<ul style="list-style-type: none"> • Evidence of additionality required as part of appraisal process • Clear targeting in competitions 	2	4	8
Failure to achieve anticipated outcomes	3	4	12	<ul style="list-style-type: none"> • Effective monitoring • Access to additional business support via Growth Hub and existing providers 	2	4	8
Bad debt	4	4	16	<ul style="list-style-type: none"> • Robust appraisal processes • Effective monitoring • Flexible approach to rescheduling of debt/ payment holidays to maximise potential for business success • Security where appropriate <p>However, i3 by definition will be supporting higher risk projects.</p>	3	3	9

Annex 2: RGF scheme performance

The table below provides details of the performance to date of the two Regional Growth Fund schemes in Kent and Medway at January 2015:

Expansion East Kent

RGF grant:	£35 million
Funding committed:	£30.9 million (+£5m allocated to equity fund)
Private investment:	£57.3 million
Companies supported:	119

Contracted jobs

Jobs created:	2,744
Jobs safeguarded:	656
<u>Total:</u>	<u>3,400</u>

TIGER/ Escalate

RGF grant:	£20 million
Funding committed:	£20.0 million
Private investment:	£30.9 million
Companies supported:	91

Contracted jobs

Jobs created:	1,366
Jobs safeguarded:	782
<u>Total:</u>	<u>2,148</u>

<u>Total jobs (all schemes)</u>	<u>5,548</u>
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By: Mark Dance, Cabinet Member for Economic Development
Roger Gough, Cabinet Member for Education and Health Reform
Barbara Cooper, Corporate Director for Growth Environment and Transport
Patrick Leeson, Corporate Director for Education and Young People's Services

To: Growth, Economic Development and Communities Cabinet Committee - 1 December 2015

Subject: Developing future workforce skills in Kent and Medway

Classification: Unrestricted

Past pathway of paper: None

Future pathway of paper: None

Electoral Division: All

Summary

Earlier this year, the Cabinet Committee discussed the challenges faced by employers in securing the right skills. The Committee also welcomed the high priority placed on developing a skilled and productive workforce within the county's growth strategy.

Since the last Cabinet Committee, KCC has published the Adult Learning, Employment and Skills Strategy 2015-18. This has been accompanied by a detailed Workforce Skills Evidence Base, estimating future employer demand.

The report introduces the Workforce Skills Evidence Base and the Adult Learning Strategy. It also explains the establishment of a new Skills Commission to strengthen the employer voice at Kent and Medway level, better coordinate provision and act as a potential mechanism for the future devolution of funds and powers.

Recommendation

The Growth, Economic Development and Communities Cabinet Committee is recommended to CONSIDER this report.

1. Introduction: Challenges and opportunities

- 1.1. The growth strategy set out by Kent and Medway Economic Partnership (KMEP) noted that ‘creating a highly skilled, more productive workforce’ is the most pressing priority for the future of the county’s economy:

“In Kent and Medway, there is much that has been achieved in recent years. We have a strong further education sector, improving attainment rates and shared strategies for both young people and adults. Yet the skills system is often dysfunctional: employers find it hard to have a clear voice, funding regimes are often poorly coordinated and perverse incentives within the system mean that young people frequently lack the right information about opportunities that are available to them”¹.

- 1.2. This situation is not unique to Kent and Medway. The Government’s recent Productivity Plan noted that weaknesses in the UK’s skills base are long-standing and are a major contributor to the country’s productivity gap with its major competitors. However, it is widely recognised that more effective coordination and employer engagement at local level will be an important part of the solution. Building on the skills flexibilities already offered to some city regions, the Productivity Plan sets out an invitation to local areas to ‘participate in the re-shaping and re-commissioning of local provision’, so that it is better geared to local economic priorities and future skills demands².
- 1.3. Over the past few months, KCC and its partners have responded to these challenges and opportunities in three ways: first, by strengthening our evidence base; second, by developing a strategy for adult learning and skills; and third, by creating a stronger role for employers to inform provision.

2. Strengthening the evidence base

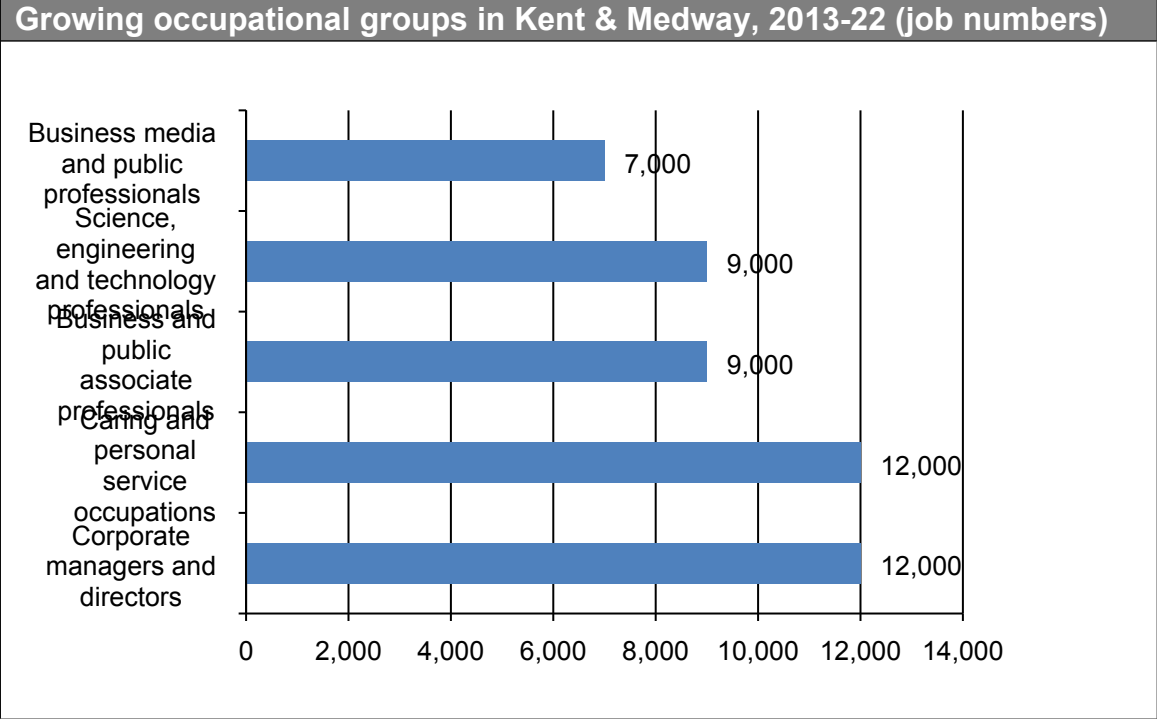
- 2.1. Evidence of future skills demand is often fragmented and hard to access in a consistent format – and there is often a mismatch between forecasting data and employers’ practical experience and knowledge. The absence of a consistent understanding of future employment demand by sector, qualification and occupational group makes it more difficult to inform provision and to provide clear information to learners about future job prospects.
- 2.2. Earlier this year, Kent County Council on behalf of KMEP commissioned the preparation of a **Workforce Skills Evidence Base (WSEB)** to provide a clearer, central source of labour market intelligence for Kent and Medway. This

¹ KMEP (July 2015), *The Compelling Case for Change*, p. 11

² HM Treasury (July 2015), *Fixing the Foundations: Creating a more prosperous nation*, pp. 23-26

considers forecast employment growth over the next decade by sector and occupational group at both county-wide and individual district level. In developing the WSEB, data analysis was supplemented with a series of twelve sector-based focus groups with employers. A copy of the full draft report (which includes an executive summary) is attached as Annex 1.

2.3. The WSEB finds that while overall employment grew by only 1% across Kent and Medway in 2009-13, there are likely to be around 41,000 jobs added to the labour market over the next decade. By 2022, it is anticipated that Level 4+ qualifications (equivalent to Foundation Degree or higher) will be required by at least half the workforce, with the largest increases in the following occupational groups:



2.4. The WSEB highlights a number of sector-specific skills, recruitment and retention issues. A recurring theme that emerged from the employer focus groups was the need to improve information and advice to young people on available employment opportunities, and for key sectors to be presented in a positive light to prospective recruits.

3. The Adult Learning, Employment and Skills Strategy, 2015-18

3.1. Following consultation, KCC published the new Adult Learning, Employment and Skills Strategy in October. The published Strategy is attached as Annex 2 and accompanies the existing 14-24 Learning, Employment and Skills Strategy.

3.2. The Strategy recognises the strong relationship between skills and productivity and notes the increasing average age of the workforce. As employers

increasingly demand higher skill levels, people already in the workforce will need to be equipped to take advantage of these new opportunities.

3.3. The Strategy contains four priorities, which aim to:

- **Reduce unemployment**, especially in those districts with the highest levels of worklessness, through better coordination of the range of activity taking place in further education colleges and through other providers to provide adults with the capacity and skills to enter employment;
- **Improve adult skill levels**, by enabling more people to access learning at all levels, including through an increase in the number of Adult Apprenticeships;
- **Increase training and employment in priority sectors**, reflecting areas of future growth anticipated in the WSEB and the occupations that will be needed to support them; and
- **Increase employment and participation in learning among priority groups**, in particular through targeted work to support adults with disabilities and adults in deprived neighbourhoods.

3.4. The Strategy also highlights the need for a stronger relationship between employment and education, noting that “any collaborative models that are developed in the county need to include the substantial involvement of employers”. This reflects the Government’s drive for employers to take on a greater share of the cost of training, as well as the need to ensure that provision is relevant to the needs of the economy.

4. The Kent and Medway Skills Commission

4.1. Following the drive for a stronger employer-education partnership, KMEP committed in September to the establishment of a **Kent and Medway Skills Commission**, bringing together both employers and providers to focus on how the needs of the economy can be met within a demand-led system.

4.2. Replacing the Employment, Learning and Skills Partnership Board, the new Skills Commission will meet for the first time on 11 December. With stronger employer representation, the Skills Commission will have a central role in:

- Owning, developing and maintaining the Workforce Skills Evidence Base and ensuring that it is effectively used;
- Overseeing the implementation of the Adult Skills Strategy;
- Ensuring that there is a strategic approach to the future use of skills capital funding in Kent and Medway (and other funds that may be devolved by Government in due course);

- Developing more effective mechanisms for the provision of careers information, advice and guidance, based on direct employer input;
- Developing sector-led frameworks, through the system of sector-focused Guilds established in Kent to provide positive perceptions of and greater access to opportunities in sectors with prospects for employment growth.

5. Next steps

5.1. Work is underway to prepare an action plan for the Adult Skills Strategy. This will be completed in the New Year, and it is envisaged that progress in delivering this will be reported to the Education and Young People's and Growth, Economic Development and Communities Cabinet Committees. Regular reports will also be provided to both Cabinet Committees on the work of the Skills Commission and the strengthening of the employer role in influencing provision.

6. Recommendation

6.1. The Cabinet Committee is recommended to consider this report.

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5 November 2015

Annexes:

Annex 1: Workforce Skills Evidence Base, September 2015

Annex 2: Adult Learning, Employment and Skills Strategy, 2015-18, October 2015

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The Kent and Medway Workforce Skills Evidence Base

Dr Jonathan Pratt and Steve Matthews
Emergent Research and Consulting

September 2015



Workforce Skills Evidence Base

Labour Market Intelligence for Kent & Medway

Executive Summary

This Workforce Skills Evidence Base provides an overview of current and future skills demand in Kent and Medway, taking into account economic trends, local sector strengths and demand from neighbouring local communities. It also considers “supply side” and social factors that shape the skills and employability of the area’s working population. The purpose of this analysis is to provide useful intelligence to providers, planners and funders of services, and inform the future plans and strategies of key public sector bodies. The document is primarily based on existing secondary data sources (building on work done earlier for SELEP), enhanced with qualitative data gathered through workshops and interviews with representatives of key sectors recruited by Kent County Council from previous sector strategy work.

Businesses and Employment

Kent and Medway is home to 57,000 businesses, employing over 630,000 people. A further 170,000 people are estimated to be self-employed in the area. In line with the national picture, the vast majority of firms are micro-businesses employing fewer than 10 staff, but medium-sized and large firms account for 45% of all employment.

“Job density” data (the number of jobs for every working age adult) suggests that there are fewer jobs than might be expected if Kent and Medway reflected the pattern for Great Britain as a whole. This is probably due to the area’s proximity to London, given that 20% of working residents commute out of Kent and Medway to work, and 16% to London.

Commuting figures are especially high for Dartford and Sevenoaks, where 49% of residents travel out of the area for work. The earnings potential of London commuters may explain part of this trend: average wages for people who *live* in Kent & Medway are significantly higher than those who *work* in Kent & Medway. This provides a competitive challenge for some Kent & Medway businesses.

The bulk of demand for skilled labour relates to the replacement of staff in jobs that already exist (as people retire, for example, or move into a different role), rather than from new jobs created.

The sector profile of current employment in Kent and Medway is very similar to that for the SELEP region as a whole. Both have a relatively high concentration of employment in construction, motor trades, retail, transport & distribution, and education when compared with Great Britain as a whole. The occupational profile of the Kent & Medway workforce is also similar to that of the SELEP region and Great Britain.

Changes in employment by sector and occupation are also an important component of skills demand. The overall level of employment stayed relatively static for the period 2009 – 2013, growing by only 1%. However, this overall trend masks significant differences between sectors though, with many jobs lost in sectors like manufacturing, construction, health and public administration and gained in sectors like business administration, accommodation & food and education.

Comparison with national data suggests that recent change in the sector profile of employment in Kent and Medway largely reflects national economic and sector employment trends, although the fall in professional, scientific and technical services sector employment was more pronounced, perhaps due to the closure of some Pfizer operations at Sandwich.

Over the next few years, employment forecasts produced for the UK Commission for Employment and Skills (UKCES) suggest that employment will rise across the South East by around 6% (for the period 2013 – 2022). If this regional trend were reflected in Kent and Medway some 41,000 new jobs would be added to the area’s labour market.

The forecasts suggest that growth in employment will be significant in most sectors, except primary industries, manufacturing, public administration and education. They also suggest that there will be growth

in employment in most occupations, especially corporate managers and directors (+12,000), caring personal service occupations (+12,000), business and public associate professionals (+9,000), science, engineering and technology professionals (+9,000) and business media and public professionals (+7,000).

An analysis of the qualifications held by people in different occupations – now and as forecast by 2022 – also suggests that there will be a growing need for Level 4+ qualifications (equivalent to Foundation Degree or above), which are expected to be required by more than half the workforce in 2022.

Skills Issues in Key Sectors

The second part of the Skills Evidence Base focuses on 12 broad key sectors that together account for roughly two thirds of all employment and business units in Kent & Medway.¹

Some of these sectors are major sources of local employment, others are smaller but with strategic importance or potential. There are also differences between the sectors in terms of contribution to Kent and Medway’s economic output. Digital and Media, for example, is estimated to account for around 17% of GVA with just 9% of employment, Manufacturing represents 10% of GVA (but only 8% of employment) and construction delivers 8% of GVA with 6% of employment.

Some of the key sectors are also much more focused on micro and small businesses than others. In the agriculture, digital and media, and arts and creative sectors businesses with fewer than 10 staff account for more than 50% of employment. However in the manufacturing, health and social care, energy and utilities, and life sciences sectors the majority of people work for an employer with 50 or more employees. This has important implications for employer engagement strategies.

Figure A shows the relative share of employment for the key sectors and anticipated employment change to 2022 using the UKCES forecasting model. Self-employment is only partially included in these national statistics and some sectors (e.g. construction) could be significantly larger. Figure A suggests that the Construction and Digital & Media sectors will grow the most quickly over the period, although, in terms of the volume of jobs, construction, tourism &

hospitality and finance & business services will be the most significant. Overall, there will be a net increase in employment of 31,500 jobs and employment growth across the 12 key sectors.

Figure A: Kent and Medway Key Sectors - Employment Share and Forecast Growth

Key Sector	Empl	% Emp	% change 2013-2022	Volume Change 2013-2022
Agriculture & horticulture*	12,000	2%	-3%	<-400
Manufacturing	35,200	6%	-10%	-3,500
Construction	35,300	6%	17%	5,800
Retail	71,800	13%	3%	1,800
Logistics	27,500	5%	10%	2,700
Tourism & Hospitality	42,300	8%	12%	5,300
Finance & business services	32,100	6%	13%	4,300
Health & Social care	72,700	13%	3%	2,000
Energy & Utilities	6,500	1%	11%	700
Life Sciences	4,000	1%	6%	200
Digital & Media	20,500	4%	16%	3,300
Arts & Creative	2,800	1%	8%	200
Total Key Sectors	362,700	63%	6%	31,500

Sources: ONS BRES 2013 and UKCES Working Futures 2012-2022 (WIER) & Emergent Research. Forecast change figures are estimated from South East forecasts. *Agriculture statistics also based on KCC 2009 ‘The Agricultural Sector and Rural Businesses in Kent’.

In workshops and interviews key sector stakeholders identified a number of key skill-related issues that they felt merited attention. These are summarised in Figure B overleaf.

In addition to sector specific issues, a recurring theme is the need to improve information and advice to young people on employment opportunities in the sectors, and to present themselves in a positive light to potential recruits. This might also go some of the way towards addressing a degree of disconnect between education and industry that some sectors also feel is an issue. Encouragingly, in some industries there appear to be opportunities to address these challenges in a sector-led way by, for example, working with sector groups, building on existing work, and making use of new or proposed facilities.

¹ The sectors have been defined using the groupings in Standard Industrial Classifications (SIC codes) which are based on similar activities rather than supply chains. They have also been designed to be mutually exclusive.

Figure B: Key Skills-related Issues by Sector Identified by Stakeholders

Sector	Key Issues Highlighted
Agriculture and horticulture	Careers advice in schools could more fully communicate to young people the wide range of opportunities in the sector, but also the need to get practical hands on experience before progressing to higher level roles. There's a growing need for "farm-based R&D" to develop operating practices in response to market, regulatory and environmental drivers. The HE sector may be able to support this.
Manufacturing	There remains growth potential and a need for more skilled staff, despite the forecast decline in employment over the next few years. Careers information and advice on the sector and young people's work readiness could be improved to increase local interest in employment opportunities in the sector. There is a need and potentially an opportunity for firms to collaborate more and create a hub for the sector to improve awareness of work and careers in the sector, strengthen links with education, and develop collective approaches to workforce training.
Construction	There is scope for a more integrated, co-ordinated, sector-led approach to working with education and careers services, building on existing work, to improve the image of the sector and people's awareness of the employment and career opportunities it offers. Improvements to young people's work readiness would be welcomed, and young people would also benefit from more support and mentoring once employed. Consortium-based approaches (as trialled under the Employer Ownership of Skills initiative) could be part of the solution. Sub-contracting and self-employment militates against skills development in the sector as more traditional employment tends to be associated with higher levels of training activity.
Transport and Logistics	There is a need to make the sector more attractive to potential new entrants, with schools and careers services communicating the range of opportunities more effectively. The age gap between leaving school and eligibility for an HGV licence (and then some insurance requirements) remains an issue for recruitment in the sector. Those organisations that can offer non-HGV driving roles as a stepping stone are critical.
Retail	The likelihood of recruitment difficulties increasing for the retail sector, particularly in the short to medium term in North Kent, given the overall growth of the economy and potential competition for staff from, for example, construction jobs for Ebbsfleet Garden City and the anticipated Paramount complex. The image of the sector as a stopgap also remains an issue.
Tourism and Hospitality	The image of the sector needs to be improved and people helped to see the many career opportunities therein, if people are to be recruited in the numbers expected. There is an opportunity to address skills issues in a sector-led way through the Tourism and Hospitality Guild, if extra resources can be secured for facilitation of the network and to deliver projects. Customer service skills are of strategic importance if the sector is to grow as planned. There is also a need to drive the professionalisation of management in the sector, especially for small businesses.
Finance and Business Services	A very broad sector with a wide range of skills needs, many of which are related to regulatory requirements, but also in areas like specialist technical skills such as risk analysis as well as in more generic management and customer service. Whilst employment in the sector is forecast to grow, employment in some subsectors (e.g. banking) may further contract over the next 5-10 years.
Health and Social care	In the care sector recruitment is a major challenge, and more people need to be attracted into the sector, including through communicating better with schools, and colleges to engage young people and create an appetite to work in care, getting across what people do, how people help, why it all makes a difference. There could also be scope to recruit more young people, including through Apprenticeships. Frontline care skills are the main focus of workforce development.
Energy and Utilities	A small sector in employment terms, dominated by a handful of large employers. National research suggests a growing need for higher level skills, and some skills shortages in very specialist roles, although recruitment difficulties are not widespread.
Life Sciences	There is scope to improve the interface with schools, universities and colleges in terms of working processes (HE and Apprenticeships). Stakeholders feel the whole system is currently very fragmented. More work is needed to market sector opportunities to young people, parents and school heads.

Digital and Media	There is likely to be significant growth potential in this sector, but more support is needed to help small firms “take the next step” through business support and the development of commercial skills. Design Technology curricula should be updated to reflect the latest industry practice, and people with practical skills also need business skills to turn activities into businesses. There is potential for a closer relationship between the sector and Higher Education, if issues like licensing and IP can be addressed.
Arts and Creative	People who have worked as interns need “next step” opportunities to enable their career progression. So an initiative to raise awareness of and strengthen the profile of the sector, and the different organisations that make it up would be helpful. Sector capacity would be improved if there were better access to funding and development skills, market data analysis, business plan development and work planning.

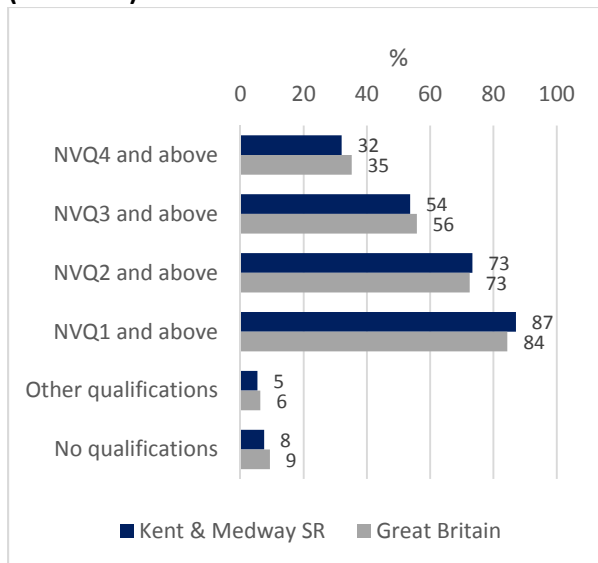
Source: Emergent Research, based on stakeholder workshops and interviews conducted July – August 2015.

Skills Supply and Community Needs

There are just over 1 million people of working age in Kent & Medway. The area has a slightly younger age profile than the UK as a whole.

338,000 Kent and Medway residents hold qualifications at Level 4 and above, and 566,000 at Level 3 or above. However, the resident population is less well qualified than Great Britain as a whole (see Figure C above).

Figure C: Highest Qualification Benchmarked (residents)



Source: ONS annual population survey Qualifications (Jan 2013-Dec 2013)

While qualifications are of course not the sole determinant of a person’s effectiveness at work, this data does raise questions about the competitiveness of the local workforce and businesses, especially given that so many people commute out to work. The

proportion of residents with no qualifications at all is higher than the national average (23%) in Thanet, Swale, Shepway, Dover and Gravesham.

National statistics indicate that unemployment in Kent & Medway is close to the SELEP and Great Britain averages of 6%, suggesting that the labour market is functioning reasonably well and providing good access to work for residents. Nevertheless, there are over 53,000 people in the sub-region actively looking for work and a further 73,000 are economically inactive and would like work (31% of the economically inactive - a significantly higher proportion than nationally). Unemployment rates are significantly higher than the national and regional averages in Thanet, Dover and Medway.

Long term unemployment and youth unemployment remain priority issues. The unemployment rate for 18-24 year olds is double that for all ages and significantly higher than the national average in Thanet, Dover, Gravesham, Medway, Shepway and Swale. These areas are also more likely to have residents with relatively high levels of social and economic deprivation, with low or no qualifications and/or claiming a range of out of work benefits.

Whilst there are pockets of unemployment and social and economic deprivation in each of Kent and Medway’s Local Authority areas, the Index for Multiple Deprivation also suggests that deprivation in respect of adult skills is greatest in Medway, Gravesham and Thanet, while for children and young people, Medway, Thanet and Swale are the worst affected.

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1. Introduction

This document summarises the first draft of the Kent & Medway Workforce Skills Evidence Base (WSEB). The WSEB is intended to:

- a) Provide an overview of current and future skills **demand** in Kent and Medway, taking into account economic trends, local sector strengths and demand from neighbouring local economies.
- b) Provide an overview of **social needs** and workforce skills **supply**, taking into account current workforce skills levels, provision and employer views.
- c) Identify areas in which there are, or are likely to be, **supply and demand imbalances** which could impact economic growth and employment and household income levels in Kent and Medway over the medium to long term.

It is anticipated that the WSEB will be useful to skills providers in planning for future provision and to local economic partnerships in identifying priorities for additional provision and initiatives.

The Evidence Base is based primarily on secondary data and builds on a summary of labour market intelligence prepared for East Kent College and the South East Local Economic Partnership (SELEP). However, it also draws on a series of employer workshops held with businesses in key Kent & Medway sectors during the summer of 2015.

2. Businesses & Employment

2.1. Kent & Medway Business Profile

The majority of local demand for new staff and skills is 'replacement' demand for staff retiring or moving on to new positions and to a significant extent reflects the current profile of businesses and employment. According to national statistics there are over 57,000 business enterprises in Kent & Medway, employing over 630,000 people. A further 170,000 people are estimated to be self-employed in the area.

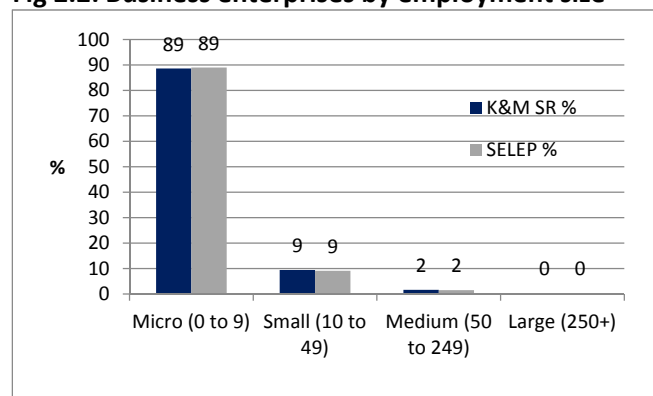
Fig 2.1: Business Population

	K&M	% SELEP
Enterprises	57,235	41%
Local Units	68,850	42%
Jobs (incl self-employment)	812,700	46%
Employment	638,750	44%

Sources: ONS UK Business Counts & Jobs Density. 2013

Like most areas of the UK, the vast majority (89%) of businesses in Kent & Medway are micro-businesses with fewer than 10 staff.

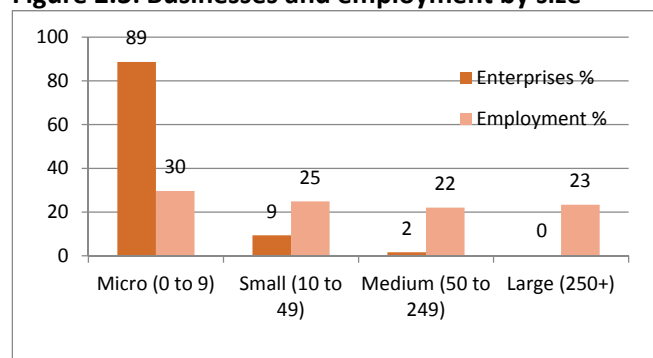
Fig 2.2: Business enterprises by employment size



Source: ONS UK Business Counts (2013)

However, medium and larger businesses (those employing 50 or more people) represent a significant proportion of both current employment and employment opportunities for people leaving full-time education and training (see Figure 2.3).

Figure 2.3: Businesses and employment by size²

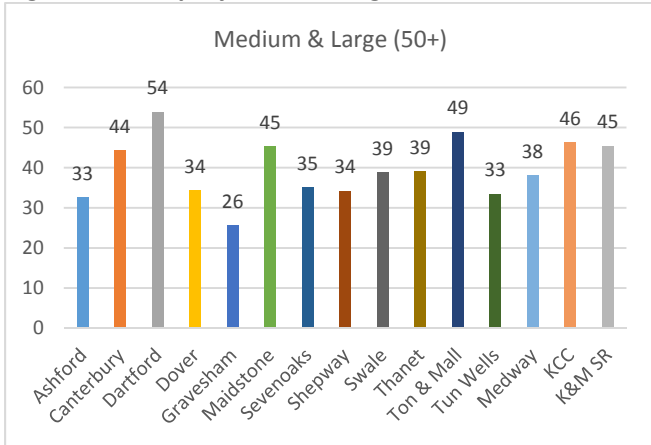


Source: UK Business Counts 2014 and BRES 2014

The proportion of employment medium and large businesses represent varies between localities within Kent & Medway and is highest in Dartford and Tonbridge & Malling Districts.

² Employment figures by size have been estimated using mid-points in employment bands. Narrower bands were used for the calculations.

Figure 2.4: Employment in Larger businesses



Source: UK Business Counts 2014 and BRES 2014

2.2. Employment in Neighbouring Areas

The Kent & Medway labour market does not operate in isolation. Figure 2.5 shows that for Kent & Medway there are fewer jobs for every adult of working age in Kent & Medway than the average for Great Britain (0.70 compared with 0.78).

Figure 2.5: Job Density (labour market slack or stress)

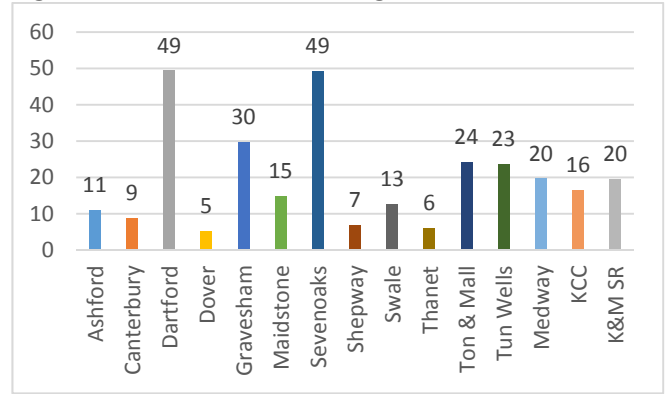
	K&M (jobs)	K&M (density)	SELEP (density)	GB (density)
Jobs density	761,000	0.70	0.71	0.78

Source: ONS jobs density Jobs density (2012)

This does suggest that there is a need for more employment opportunities within Kent & Medway. However, it is also indicative of the importance of neighbouring areas (particularly London) as sources of employment for Kent & Medway residents.

Around one in five (20%) of Kent & Medway working residents leaves the sub-region to work, rising to 49% of residents in the Dartford and Sevenoaks Districts (see Figure 2.6). The majority of these outward commuters work in London (16% of Kent & Medway residents). Whilst some London residents travel the other way and work in Kent & Medway, commuters to London outnumber inward commuters 4 to 1.

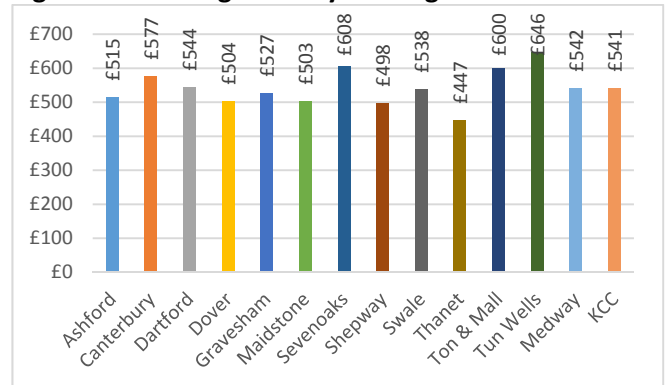
Figure 2.6: % Residents leaving K&M to work



Source: Calculated from Census 2011

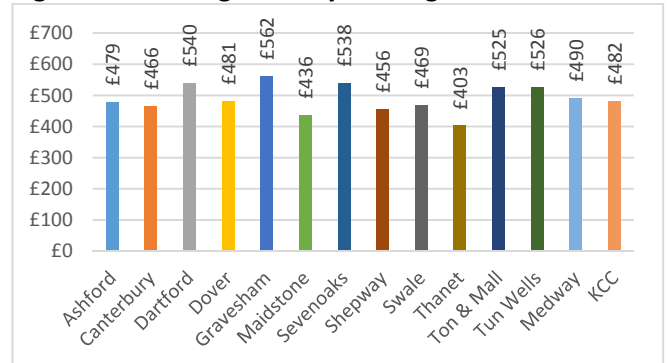
Analysis of average earnings data also reveals that average weekly earnings of Kent & Medway residents are consistently greater than the average earnings of workers in the area (with the exception of Gravesham). This highlights that a significant proportion of residents commute into higher paid jobs outside of the sub-region, although national statistics do not identify which sectors and occupations these jobs are in specifically.

Figure 2.7: Average weekly earnings - K&M residents



Source: ONS Annual Survey of Household Earnings. Residence based median Earnings 2013.

Figure 2.8: Average weekly earnings – K&M workers



Source: ONS Annual Survey of Household Earnings. Workplace base median Earnings 2013.

On the one hand this highlights the competitive pressure that businesses in Kent & Medway will experience when it comes to salaries. On the other it suggests there may be a need for more high quality jobs in the sub-region.

Local analysis of these figures also needs to consider the sector profile of the area and the ease with which businesses can draw staff from other areas.

2.3. Employment by Sector & Occupation

Using Standard Industrial Classifications, the two largest business sectors in Kent & Medway are the construction and the professional, scientific and technical services sectors. However, these sectors are dominated by micro-businesses. In terms of employment, the largest sectors are retail, health and education, where larger organisations are more common (Figure 2.9).

Figure 2.9: Businesses and employment by sector

Standard Industries	Enterprises	% ents	% emp
1&2: Primary Industries	2,655	4%	1%
3 : Manufacturing (C)	3,305	6%	7%
4 : Construction (F)	9,335	16%	6%
5 : Motor trades (Part G)	1,970	3%	2%
6 : Wholesale (Part G)	2,825	5%	4%
7 : Retail (Part G)	4,695	8%	13%
8 : Transport & storage (H)	2,040	3%	5%
9 : Accommod. & food (I)	3,530	6%	7%
10 : Info & comms (J)	4,120	7%	3%
11 : Finance & ins. (K)	1,195	2%	3%
12 : Property (L)	1,840	3%	1%
13 : Prof, sci & tech (M)	9,955	17%	5%
14 : Business admin (N)	4,410	7%	9%
15 : Public admin (O)	225	0%	5%
16 : Education (P)	1,115	2%	11%
17 : Health (Q)	2,585	4%	13%
18 : Arts etc (R,S,T & U)	3,645	6%	5%
Total	59,445	100%	100%

Source: UK Business Counts 2014 and BRES 2014. Business Counts have been rounded to the nearest 5 to avoid disclosure.

The sector profile of employment in Kent & Medway follows that of the SE LEP region quite closely. Both have a relative concentration of employment in the construction, motor trades, retail, transport & distribution and education compared with the Great Britain average. Kent & Medway has a particularly

notable concentration of employment in the construction sector.

Figure 2.10 Sector Employment (compared with GB)

Standard Industries	K&M	SELEP
1&2: Primary Industries	0.7	0.6
3 : Manufacturing (C)	0.8	0.9
4 : Construction (F)	1.5	1.3
5 : Motor trades (Part G)	1.2	1.2
6 : Wholesale (Part G)	1.0	1.0
7 : Retail (Part G)	1.3	1.2
8 : Transport & storage (H)	1.1	1.1
9 : Accom. & food (I)	1.0	1.0
10 : Info & comms (J)	0.7	0.7
11 : Finance & ins. (K)	0.8	0.8
12 : Property (L)	0.8	0.9
13 : Prof, sci & tech (M)	0.7	0.7
14 : Business admin (N)	1.0	1.0
15 : Public admin (O)	0.9	0.9
16 : Education (P)	1.2	1.2
17 : Health (Q)	1.0	1.0
18 : Arts etc (R,S,T & U)	1.0	1.0
TOTAL	1.0	1.0

Source: Calculated from BRES 2013

The tables in Figure 2.10 and 2.11 show Location Quotients. These are an Index of how much employment in a sector would be expected if the sector profile matched that of the UK. A value of 1.5 would indicate there is 50% more employment than expected. A value of 0.5 would indicate that there is half the employment expected. A table of Location Quotients for Districts and Unitary Authority Areas is included in the Annex to this document.

Employment by occupation in Kent & Medway is broadly similar to the SELEP average (see Figures 2.11 & 2.12).

Figure 2.11: Employment by broad occupation

Standard Broad Occupations	Kent & Medway
1 Managers, directors and senior officials	82,300
2 Professional occupations	144,700
3 Associate professional & technical	117,500
4 Administrative & secretarial	91,200
5 Skilled trades occupations	96,900
6 Caring, leisure and other service	91,500
7 Sales and customer service occs	57,800
8 Process plant & machine operatives	49,800
9 Elementary occupations	78,700

Source: ONS APS. Employment by occupation (Jul 2013-Jun 2014)

Figure 2.12: Broad occupations benchmarked



Source: ONS APS. Employment by occupation (Jul 2013-Jun 2014)

2.4. Employment Trends & Forecasts

Whilst numerically most employment demand in the labour market comes from replacing staff in existing industries (e.g. as they retire or move on to different roles), additional demand also is created by growth sectors and occupations.

If we assume that current education, skills and training provision meets the majority of replacement demand skills requirements, then understanding growth demand, even when relatively small, is important for planning changes to future skills provision.

Figure 2.13 highlights that overall employment in Kent & Medway remained fairly static over the period 2009-2013. However, there was a significant contraction in the manufacturing, construction, public administration and health sectors, as well as professional, scientific and technical services.

The reduction in employment in public administration and professional, scientific and technical services sectors was greater than across the SELEP area. However, the reduction in construction employment was less pronounced in Kent & Medway.

Overall the reductions in employment were more than offset by growth in the business administration, accommodation & food and education sectors.

Figure 2.13: Employment change 2009-2013

Standard Industries	K&M	K&M %	SELEP %
1&2: Primary Industries	+400	+4	-3
3 : Manufacturing (C)	-4,800	-10	-7
4 : Construction (F)	-4,200	-9	-16
5 : Motor trades (Part G)	+500	+4	+9
6 : Wholesale (Part G)	+1,500	+7	+2
7 : Retail (Part G)	+3,000	+4	+1
8 : Transport & storage (H)	-900	-3	-4
9 : Accom. & food (I)	+4,900	+12	+11
10 : Info & comms (J)	+2,700	+18	+19
11 : Finance & ins. (K)	+900	+5	-6
12 : Property (L)	+500	+6	+2
13 : Prof, sci & tech (M)	-4,500	-12	-3
14 : Business admin (N)	+8,400	+18	+7
15 : Public admin (O)	-6,400	-18	-12
16 : Education (P)	+3,900	+6	+8
17 : Health (Q)	-3,600	-4	+2
18 : Arts etc (R,S,T & U)	+1,800	+7	0
TOTAL	+4,200	+1	+0.4

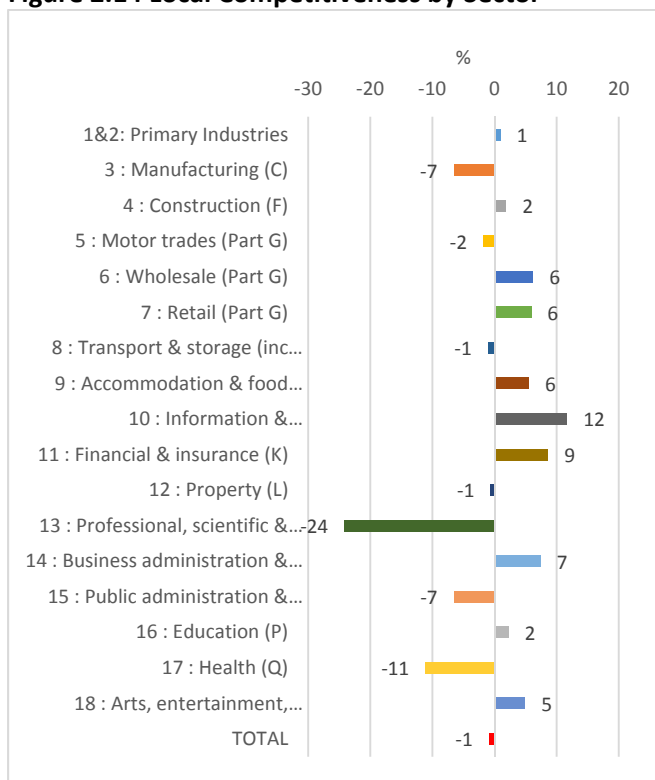
Source: ONS BRES 2009-2013

Figure 2.14 (overleaf) also highlights that these sectors grew more over the period in Kent & Medway than might be expected given either national economic growth trends or trends in those sectors nationally. However, the professional, scientific and technical services sector employment decline was much sharper than expected. This is likely to reflect at least in part the reduction in staff at the Pfizers site in Sandwich.

The chart in Figure 2.14 has been created using shift-share analysis. Much of the employment change in a locality is a reflection of the overall national economic performance, the trends within different business sectors and the relative importance of those sectors within an area.

Shift Share analysis takes these trends out and highlights what is left. The remaining changes can be attributed to 'local' competitiveness factors. Possible local factors include physical development activities, changes in transport infrastructure and local labour market restrictions or successes as well as the business decisions of individual large employers.

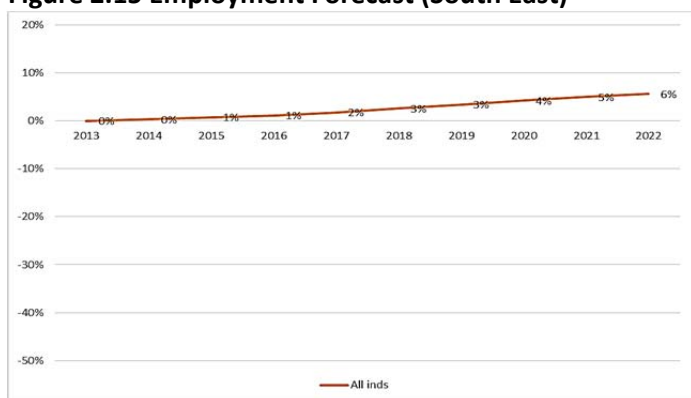
Figure 2.14 Local Competitiveness by Sector



Source: Calculations based on ONS BRES 2009-2013

Whilst there are no recent employment forecasts available specifically for Kent & Medway, the UK Commission for Employment and Skills (UKCES) forecasting model suggests that overall employment across the South East will increase by 6% between 2013 and 2022 (Figure 2.15). If Kent and Medway were to follow this pattern, it would be equivalent to an additional 41,000 jobs in the area.

Figure 2.15 Employment Forecast (South East)



Source: UKCES Working Futures 2012-2022 (WIER)

If the change in employment by sector also reflects regional forecasts, there will be significant growth in most sectors of the economy with the exception of primary industries (agriculture, mining & forestry), manufacturing, public administration and education.

Figure 2.16 Employment Forecast by Sector

Standard Industries	2012-2022	KM est.
1&2: Primary Industries	-18%	-1,600
3: Manufacturing (C)	-8%	-3,500
4: Construction (F)	+14%	+5,800
5-7: Wholesale & Retail (G)	+4%	+4,900
8: Transport & storage (H)	+10%	+3,300
9: Accom. & food (I)	+7%	+3,300
10: Info & comms (J)	+28%	+5,000
11: Finance & ins. (K)	+3%	+700
12: Property (L)	+12%	+1,000
13: Prof, sci & tech (M)	+15%	+5,000
14: Business admin (N)	+10%	+5,700
15: Public admin (O)	-5%	-1,500
16: Education (P)	-1%	-600
17: Health (Q)	+6%	+4,800
18: Arts etc (R,S,T & U)	+7%	+1,900

Source: Adapted from UKCES Working Futures 2012-2022 (WIER) and ONS BRES 2013. Based on SE Regional figures.

Similarly there would be a significant increase in employment in a number of occupational groups, including corporate managers, science professionals, business associate professionals and caring personal service occupations (Figure 2.17).

Figure 2.17: Employment Forecast by Occupation

Standard Occupations	Expansion Demand	KM Est	Repl Demand
11 Corp managers and directors	23%	+12,000	39%
12 Other managers	15%	+3,000	50%
21 Science, eng, and tech profs	21%	+9,000	33%
22 Health professionals	20%	+4,000	42%
23 Teaching and ed profs	10%	+3,000	44%
24 Busn, media and public profs	20%	+7,000	43%
31 Sci, eng and tech assoc profs	9%	+1,000	32%
32 Health & care assoc profs	26%	+1,000	41%
33 Protective service occs	-3%	<1,000	26%
34 Culture, media and sports	15%	+2,000	43%
35 Business & public assoc profs	18%	+9,000	39%
41 Admin occupations	-8%	-4,000	42%
42 Secretarial and related	-38%	-8,000	45%
51 Skilled agric and related	-8%	-1,000	52%
52 Skilled metal, elec & electronc	-6%	-2,000	32%
53 Skilled construction	3%	+1,000	33%
54 Textiles, print & othr skilled	-33%	-5,000	31%
61 Caring personal service occs	27%	+12,000	46%
62 Leisure personal service occs	12%	+2,000	49%
71 Sales occupations	-11%	-4,000	34%
72 Customer service occs	18%	2,000	35%
81 Process, plant and machine	-26%	-3,000	27%
82 Transport and machine ops	1%	<1,000	43%
91 Elementary trade occs	-11%	-1,000	31%
92 Elementary admin occs	0%	<1,000	38%

Source: Adapted from UKCES Working Futures 2012-2022 (WIER) and ONS BRES 2013. Based on SE Regional figures.

Whilst the additional employment forecast through expansion of the economy (expansion demand) can be significant, the demand for skills to replace people retiring and moving out of the labour market (replacement demand) is nearly always larger.

There is therefore a continual need for new skills and qualifications across most sectors and occupations, even in areas where employment is declining overall.

To start to understand how this might translate into demand for skills and qualifications, Figure 2.18 shows the current highest qualifications held by people across the same range of standard occupational groups (for the Southeast of England).

Figure 2.18: Qualification Profile by Occupation 2012

Standard Occupations	L4+	L3	L2	L1 or below
11 Corp managers and directors	55%	18%	16%	12%
12 Other managers	43%	19%	20%	17%
21 Science, eng, and tech profs	72%	12%	10%	6%
22 Health professionals	80%	9%	7%	5%
23 Teaching and ed profs	90%	4%	3%	3%
24 Busn, media and public profs	74%	11%	9%	6%
31 Sci, eng and tech assoc profs	56%	19%	14%	11%
32 Health & care assoc profs	73%	11%	9%	6%
33 Protective service occs	40%	21%	23%	15%
34 Culture, media and sports	65%	16%	11%	9%
35 Business & public assoc profs	53%	19%	16%	11%
41 Admin occupations	36%	21%	25%	18%
42 Secretarial and related	26%	20%	28%	27%
51 Skilled agric and related	26%	18%	26%	30%
52 Skilled metal, elec & electronc	20%	37%	24%	19%
53 Skilled construction	11%	35%	30%	24%
54 Textiles, print & othr skilled	16%	24%	29%	32%
61 Caring personal service occs	28%	31%	27%	13%
62 Leisure personal service occs	22%	27%	28%	23%
71 Sales occupations	19%	26%	29%	26%
72 Customer service occs	30%	25%	27%	18%
81 Process, plant and machine	10%	23%	30%	37%
82 Transport and machine ops	12%	18%	30%	39%
91 Elementary trade occs	10%	15%	28%	47%
92 Elementary admin occs	14%	19%	29%	38%
All occupations	41%	20%	21%	18%

Source: Adapted from UKCES Working Futures 2012-2022 (WIER) and ONS BRES 2013. Based on SE Regional figures.

The table uses the Qualifications and Credit Framework (QCF) categories, where Level 4 is equivalent to Foundation Degree, whilst Level 3 is equivalent to A levels and Level 2 to GCSEs.

Cells where more than a quarter of staff in that occupation have that level of qualification are shaded green.

However, it should also be noted the qualification requirements *within* many occupations are tending to increase over time. The employment and skills forecasting model developed for UKCES suggests, for example, that 51% of all employment will be at a graduate level in 2022 (see Figure 2.19) compared with 41% in 2012 (Figure 2.18).

Figure 2.19: Forecast Qualification Profile by 2022

Standard Occupations	L4+	L3	L2	L1 or below
11 Corp managers and directors	63%	14%	14%	9%
12 Other managers	54%	15%	20%	12%
21 Science, eng, and tech profs	79%	8%	8%	5%
22 Health professionals	79%	10%	7%	3%
23 Teaching and ed profs	91%	3%	4%	2%
24 Busn, media and public profs	80%	9%	7%	4%
31 Sci, eng and tech assoc profs	64%	13%	12%	11%
32 Health & care assoc profs	75%	12%	9%	4%
33 Protective service occs	52%	16%	22%	11%
34 Culture, media and sports	73%	13%	8%	6%
35 Business & public assoc profs	63%	16%	13%	8%
41 Admin occupations	49%	20%	22%	10%
42 Secretarial and related	39%	18%	24%	18%
51 Skilled agric and related	35%	16%	26%	23%
52 Skilled metal, elec & electronc	26%	33%	24%	17%
53 Skilled construction	16%	28%	34%	22%
54 Textiles, print & othr skilled	21%	25%	24%	31%
61 Caring personal service occs	38%	33%	25%	4%
62 Leisure personal service occs	34%	23%	25%	17%
71 Sales occupations	29%	26%	26%	18%
72 Customer service occs	39%	22%	26%	13%
81 Process, plant and machine	14%	24%	35%	27%
82 Transport and machine ops	18%	18%	32%	32%
91 Elementary trade occs	17%	14%	29%	41%
92 Elementary admin occs	24%	17%	30%	29%
All occupations	51%	17%	19%	13%

Source: Adapted from UKCES Working Futures 2012-2022 (WIER) and ONS BRES 2013. Based on SE Regional figures.

3. Skills Needs in Key Sectors

The specific skills and qualifications required within the same occupational group will also vary between different industrial sectors. Understanding the detail of demand for skills and employment at a local level is a complex exercise that needs to draw on the qualitative knowledge and tacit understanding of local

businesses and people as well as statistical labour market intelligence.

To this end preparation work for the Kent and Medway Workforce Skills Evidence Base included discussions with representatives from a number of potential key sectors in Kent & Medway. Twelve sectors were identified:

- Agriculture & horticulture
- Engineering & Manufacturing
- Construction
- Retail
- Transport & Logistics
- Tourism & Hospitality
- Finance & business services
- Health & Social care
- Energy & Utilities
- Life Sciences
- Digital & Media
- Arts & Creative

For each sector a summary of labour market statistics and skills issues identified nationally was prepared (see Annexes 2-13) and discussed with sector representatives and stakeholders. The conclusions of the discussions are outlined below in Section 3.2.

3.1. Key Sectors - Introduction

The 12 key sectors were chosen either because they are significant employment sectors or because they have strategic economic importance or potential. Figure 3.1 highlights that they collectively account for around two thirds of employment in Kent & Medway.³

Figure 3.1: Key Sectors - Employment

Key Sectors	Employment	% Emp
Agriculture & horticulture*	12,000	2%
Manufacturing	35,200	6%
Construction	35,300	6%
Retail	71,800	13%
Logistics	27,500	5%
Tourism & Hospitality	42,300	8%
Finance & business services	32,100	6%
Health & Social care	72,700	13%
Energy & Utilities	6,500	1%
Life Sciences	4,000	1%

³ The sectors have been defined using the groupings in Standard Industrial Classifications (SIC codes) and have been designed to be mutually exclusive (with no overlap between sectors). Not all self-employed people are included. Self-employed individuals who use PAYE or are above the VAT threshold/registered for VAT are included in the ONS BRES survey.

Digital & Media	20,500	4%
Arts & Creative	2,800	1%
Total Key Sectors	362,700	63%

Source: ONS BRES 2013. *Agriculture statistics also based on KCC 'The Agricultural Sector and Rural Businesses in Kent'

Retail and the health and social care sectors are clearly major employment sectors, whilst the agriculture, energy & utilities, Life Sciences and the arts & creative sectors have been identified for more strategic reasons.

Figure 3.2 highlights that the key sectors account for more than two thirds (70%) of the business units in Kent & Medway.

Figure 3.1: Key Sectors – Business Units

Key Sectors	Enterprises	% Ent
Agriculture & horticulture	2,200	4%
Manufacturing	3,285	6%
Construction	9,335	16%
Retail	4,695	8%
Logistics	2,040	3%
Tourism & Hospitality	3,680	6%
Finance & business services	6,425	11%
Health & Social care	2,585	4%
Energy & Utilities	290	<1%
Life Sciences	165	<1%
Digital & Media	6,430	11%
Arts & Creative	670	1%
Total Key Sectors	41,800	70%

Source: ONS Business Counts

Employment is only one aspect of the economic importance of a sector. Some relatively small employment sectors contribute more in terms of economic output. Figure 3.3 suggests that manufacturing, for example, accounts for 10% of economic output across the SE but just 8% of private sector employment. Whilst at the other end of the scale, the retail sector accounts for 13% of private sector employment but just 6% of economic output.

Figure 3.3: Economic Output and Employment - SE

K&M Key Sector	% GVA SE	% Prvt emp
Manufacturing	10%	8%
Construction	8%	6%
Retail	6%	13%
Logistics	7%	5%
Tourism & Hospitality	4%	10%
Energy & Utilities	4%	1%
Digital & Media	17%	9%
Arts & Creative	<1%	1%

Source: Emergent Research based on ONS Annual Business Survey 2013 GVA statistics for Southeast England. GVA Figures do not include public

sector organisations or financial services. Figures also not currently available for Lifesciences or agriculture sectors.

Figure 3.4 also highlights that the 12 key sectors account for a significant proportion of the growth in employment forecast for Kent and Medway to 2022.

Figure 3.4 Employment Forecasts – Key Sectors

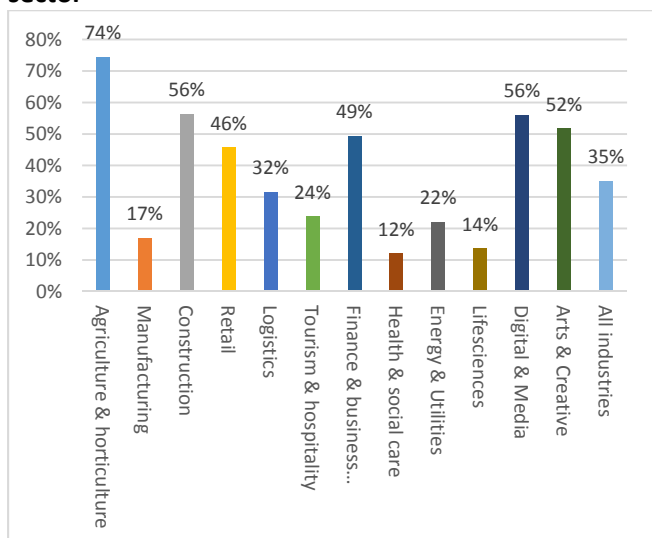
K&M Key Sector	% change 2013-2022	K&M equivalent
Agriculture & horticulture	-3%	<-100
Manufacturing	-10%	-3,500
Construction	17%	5,800
Retail	3%	1,800
Logistics	10%	2,700
Tourism & Hospitality	12%	5,300
Finance & business services	13%	4,300
Health & Social care	3%	2,000
Energy & Utilities	11%	700
Life Sciences	6%	200
Digital & Media	16%	3,300
Arts & Creative	8%	200
All inds	6%	31,500

Source: UKCES Working Futures 2012-2022 (WIER) & Emergent Research. Figures are estimated from South East forecasts.

Numerically, the largest growth areas in employment (if Kent & Medway reflects forecasts for the wider South East) will be in the construction, tourism & hospitality, finance & business services and Digital & Media sectors. Manufacturing is expected to further decline in terms of employment.

Engaging employers in the key sectors in skills and learning improvements also needs to take account of the relative importance of micro and large businesses in each sector.

Figure 3.5 Employment in micro-businesses by key sector

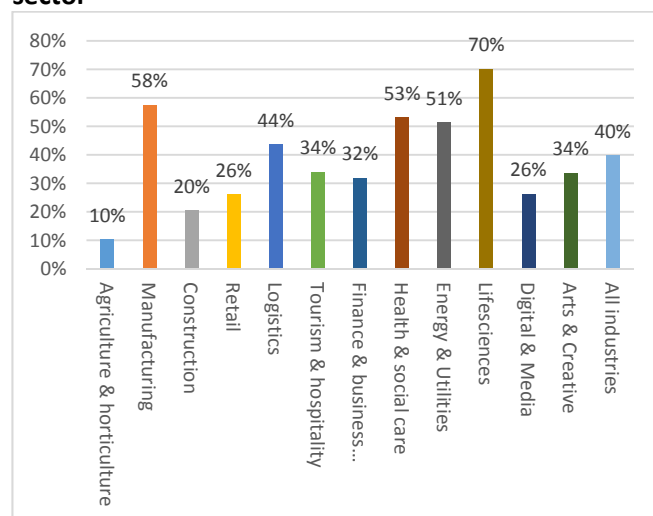


Source: Estimations based on ONS BRES 2013 and UK Business Counts 2014

Whilst micro-businesses employing fewer than 10 people are the most numerous businesses in every sector, they only account for more than 50% of employment in a few of the key sectors (agriculture, construction, digital & media, arts & creative).

Whereas Figure 3.6 highlights that larger businesses employing 50 or more people account for the majority of employment in the manufacturing, health & social care, energy & utilities and Life Sciences sectors.

Figure 3.6 Employment in 50+ businesses by key sector



Source: Estimations based on ONS BRES 2013 and UK Business Counts 2014

3.2. Skills Issues in Key Sectors

Agriculture and Horticulture

The agriculture & horticulture sector in Kent & Medway is relatively small in employment terms accounting for between 1 and 2% of the workforce. The broader footprint of the sector may be larger, though, if “downstream” activities and diversification, including, for example, food packing and processing, or tourism, is taken into account. The proportion of microbusinesses in the sector (94%) is higher than the average for all industries.

The workforce is forecast to continue to decline slowly, principally through further automation, over the next 5-7 years, leading to a net loss of around 400 jobs (3%), although, again, related activities and diversification will have a bearing on this.

Over half of the workforce are in skilled trade occupations, mainly skilled agricultural trades. The qualification profile of the sector reflects its occupational profile and workers are less likely to have level 3 qualifications or above than in the economy as a whole, although many jobs would be considered as quite skilled, especially those involving newer machine and vehicle technologies.

The main skills related issues are that

- Careers advice in schools does not seem to fully appreciate the skills and opportunities on farms. Not all jobs are manually focused and people can progress to a range of high quality jobs, provided people are happy to work their way up. There are also opportunities for less academic young people. The entry requirements are not too high, and the best people in professional roles are those who have come through a vocational route. Developing short video materials on the range of progression opportunities, involving management and the use of technology, for example, could improve the careers advice situation. Kent Rural PLC is developing a new Rural Careers App, which could be helpful in this respect and will be available shortly.
- Climate change, new diseases and pests, regulatory requirements and market pressures are increasing the need for “farm-based R&D”, which happens on the farm, taking into account local circumstances. There is potential for HE to get more involved in this work in terms of learning and knowledge transfer.

The sector is already well served by training providers, although cost can be an issue, because it is difficult to reduce costs per head by having larger groups of trainees. More agriculture and horticulture related offers (rather than more leisure sector focused training) would be welcomed from the FE sector.

Manufacturing

Manufacturing remains a significant employment sector in Kent & Medway accounting for over 35,000 jobs (6% of all employment) and involving more than 3,000 companies. The sector is more focused on medium and large companies than many other

sectors: 58% of staff are employed in companies with more than 50 employees, compared with 40% across the economy as a whole.

Employment in both the general manufacturing workforce and the engineering workforce declined between 2009 and 2013. Employment is also forecast to continue to decline regionally and nationally, although the decline in employment in engineering related subsectors is expected to be more gradual (-8% by 2022). There is some debate as to whether this will actually be the case, particularly in the engineering subsector where some companies consulted are increasing their workforce and have identified continued potential for growth in engineering. Stakeholders consulted also felt that there are signs of a reversal of the trend towards ‘offshoring’. Demand for goods and services is up across the sector, particularly around new technologies, but it does vary significantly between sub-sectors and markets.

The sector has quite a diverse workforce in terms of occupations, although skilled trades occupations are more numerous (accounting for 22% of the workforce). The qualification profile of the workforce is similar to that for the workforce as a whole, although workers in sectors outside the SEMTA remit are less likely to have graduate level qualifications. There are concerns about the age profile of skilled workers in particular, and how this could lead to skills gaps in the workforce.

The main skills related issues are:

- A need to improve the careers information and advice given to young people in schools, who may have little understanding of the manufacturing sector and do not know how to deal with employers. Young people are not prepared for the world of work in terms of work ethic or attitude, and do not consider manufacturing as a career.
- Manufacturers are relatively small in number and can be highly specialised, and so there is a need for manufacturers to work together on training and recruitment issues. While larger businesses can move trainees around to give them the breadth of experience they need, small firms have difficulty doing this. One company is in the planning stages of an initiative to engage schools with

manufacturing which might involve using a building they have in East Kent. Such an initiative could provide a focus for collaboration and involve other firms, with the potential to become a hub for schools and companies, involved in visits, placements, and lower-cost sector-focused training. There is a lot of goodwill and support in the sector for working together, perhaps through a new Manufacturing Partnership, to overcome some of the skills issues faced but resource is needed for co-ordination.

There are a range of workforce development needs, including change management and to support the introduction of process and quality management standards like Six Sigma that are being pushed down the supply chain. There are also very specific requirements in areas like welding, where the FE sector has been quite responsive.

Construction

Construction employs over 35,000 people in Kent and Medway, accounting for around 6% of the workforce. Although employment in the sector fell by around 3,200 between 2008 and 2013, it is expected to grow up to 2022.

National and regional forecasts suggest that this expansion could create around 6,000 new jobs, but some industry sources put this number much higher. The construction workforce is more volatile than that of the economy as a whole: more jobs are lost in times of recession, but more jobs are added when growth returns. This means that the economic recovery is likely to especially ramp up demand for construction workers, with the workforce forecast to grow by 17% from 2013 to 2022 (for the economy as a whole the figure is only 6%).

Skilled trades occupations account for around 50% of the construction workforce, compared with 10% for the economy as a whole, and people employed in the sector are generally less well qualified than the overall workforce in terms of qualification levels. This is especially the case for Higher Level qualifications (QCF Level 4+), although there are significant numbers of

people with such qualifications in activities like architecture.⁴

Figures from the Construction Skills Network suggest that across the South East of England, architects, plant mechanics and fitters and steel erectors/structural fabrication workers are in particularly short supply at the moment.⁵

The main skills-related issues that the sector faces according to the stakeholders consulted are:

- There is scope for a more integrated and coordinated, sector-led approach to working with education and careers services, building on existing work, but also potentially involving the CITB, the Construction Guild and recruitment companies. This kind of sector-led approach has been taken with STEM and proved to be successful. In particular, more could be done to improve the image of the sector, with more emphasis on information to young people about higher level roles and vocational routes into these.
- It is essential that young people have general work readiness skills in areas like communication and basic time keeping, and then get the support and mentoring they need once they are in a firm. This is usually possible in 50+ firms, but is much more of a challenge in smaller companies. Supply chain based consortium approaches can be very helpful in this respect (as was trialled under the Employer Ownership of Skills initiative).
- The local Constructing Excellence Group would welcome more engagement from HE and FE on Building Information Modelling (BIM). It is especially relevant to new engineers and architects, who can lack basic industry standard practical skills like AutoCAD, and need more awareness of BIM. This issue is also of broader relevance to the teaching of subjects like IT and Design Technology.
- Sub-contracting and self-employment militates against skills development in the sector as more traditional employment tends to be associated with higher levels of training

⁴ Architecture is not included in the construction statistics in this paper as only the broad architecture and engineering services category is available, the majority of which is not construction related.

⁵ Construction Skills Network data provided by CITB 07/08/15

activity. Similarly, the way in which supply chains are managed can play an important role in company behaviour on training and skills. Companies in a supply chain usually have the craft or technical skills, but may lack more generic skills like project management, people management and organisation. Increasingly, contractors may not have tradespeople on the payroll, but perform mainly a contract management function working with sub-contractors.

There are challenges with Apprenticeships: low wages are an important issue (and can make it not viable for someone to undertake an Apprenticeship) and employers need the right support to deal with some of the operational aspects of delivering Apprenticeship frameworks, and so need the right kind of support.

Retail

The retail sector is a very significant employment sector in Kent & Medway accounting for 13% of the workforce and is well represented across the area as a whole. Many Districts have higher than national proportions of employment in the sector and there is a particularly large concentration of retail employment in Dartford in particular (which includes the Bluewater development). Although some retail employers are very large, microbusinesses with fewer than 10 staff employ a larger proportion of the workforce than they do across the economy as a whole (46% compared with 35%).

Employment in the sector within Kent & Medway grew by 5% between 2009 and 2013, but forecasts suggest that the sector is not expected to grow as fast as overall employment over the next 5-7 years. Nevertheless, the size of the sector means that modest growth (3%) could translate to an additional requirement of 2-3,000 staff by 2022. Local intelligence, however, suggests that employment growth may be more likely to track employment growth in the economy as a whole, as it always has done historically.

Nearly half (45%) of all employment in the sector is focused in sales and customer services occupations. The qualification profile of the workforce is comparatively focused on lower level qualifications. Only 46% of the workforce have a level 3 qualification

(compared with 61% of all workers). However, this should not be taken to mean that retail workers are necessarily unskilled. Soft skills are not easily tested, which can make retail qualifications less relevant.

The main skills related issues are:

- The likelihood of recruitment difficulties increasing for the retail sector, particularly in the short to medium term in North Kent, given the overall growth of the economy and potential competition for staff from, for example, construction jobs for Ebbsfleet Garden City and the anticipated Paramount complex. There are already signs that the retail labour market is tighter than just a year ago. In addition, because unemployment has fallen, it is more challenging to prepare unemployed candidates for work, given that they now tend to be people who are further away from the labour market.
- The image of the sector as a stopgap also remains an issue. The role the sector has in developing soft skills like customer service that young people then take into other sectors is not widely recognised and giving the size of retail is a major benefit for the UK economy. But it is nevertheless true that more young people could actively seek a career through retail rather than seeing it as a failure or just a way of getting some money. The potential to develop a career from retail, including using retail as an entry route to related careers in HR, administration, visual merchandising, logistics etc is not sold to young people.

A key part of the success of the Learning Shop at Bluewater is that it is not really perceived as an FE / Jobcentre Plus initiative, and is also down to pre-screening and support for unemployed job candidates, and by acting as a single point of contact through which all job applications flow.

Transport and Logistics

Logistics is a significant employment sector in Kent & Medway accounting for 5% of the workforce. Employment in the sector is particularly concentrated in areas well served by motorways near London and the port towns, with higher than average employment concentrations in Dartford, Gravesham and Tonbridge

& Maidstone and in Dover, Shepway and Swale. Although the majority of logistics businesses are microbusinesses employing fewer than 10 staff, employment is slightly more likely to be concentrated in medium and large businesses (44% in businesses with 50+ staff) than the average for all industries.

There are also factors which are particular to certain activities and to the area. For example, around 50% of all drivers are aged 50 or over, while only 15% of drivers are under 25 and only 1% are women. The Kent and Medway is influenced by the “pull” of London and ease of access to it, as well as existing and new employment hotspots around the South East. Parts of Kent can be less attractive as a place to work than some other locations in the wider region.

Employment trends in the period between 2009 and 2013 were somewhat erratic but the sector is forecast to grow regionally in terms of employment at a faster rate than the economy overall. This could translate into a need for an additional 2-3,000 workers in the sector in Kent & Medway by 2022.

Around a third of the workforce are transport and mobile machine operatives (drivers) and the qualification profile of the sector is more focused on low level qualifications than the all industry average. Some 57% of logistics workers do not have a level 3 qualification (compared with 39% across all industries).

Key skills related issues are:

- The need to make the sector more attractive to new entrants by highlighting, for example, how much technology is used now. But there are wider barriers than skills: the lack of driver facilities makes the sector very unattractive, especially to women. And in Kent, especially, logistics is associated with “horror stories”, such as those associated with Operation Stack. It seems that schools tend to push university, rather than more vocational subjects and careers. But there are good career and progression opportunities in logistics, with a wide range of roles. The challenge is for schools and careers services to communicate these opportunities better and change perceptions: about a third of jobs are in driving, but the other two thirds are in areas like planning, management, distribution and logistics.

- Regulation is an important issue, and there is a gap between people leaving school to the time when they can drive an HGV. This situation is now becoming more challenging because the Government will soon stop funding Apprenticeships because they are not 12 months long. Organisations like the Freight Transport Association are also working with insurers to encourage them to be more positive about drivers under the age of 25. The cost of HGV licences is high, and access to vocational learning loans would be helpful to address the potential risk of driver shortages.

On workforce development, the needs vary a lot by the type of organisation, but some are very particular and difficult to address, such as quite specialised welding, electrical and mechanical engineering skills. CPC (Certificate of Professional Competence) qualifications (for drivers and transport managers) are a common requirement in respect of driver based activities, and larger companies will often do this internally or with recourse to an external provider.

Tourism and Hospitality

Tourism and hospitality is a major sector in terms of employment, accounting for 8% of the workforce, although the Cambridge Economic Impact Model⁶ used by Visit Kent suggests the figure is more like 12%.⁷

The sector has a higher proportion of small businesses with 10-49 staff than most other sectors accounting for 42% of employment (compared with 25% across the economy as a whole).

Nearly half (47%) of the workforce in tourism & hospitality are in elementary service occupations and the qualification profile of the workforce is significantly lower than the average for all industries with 55% of workers qualified to Level 2 or below. Sector stakeholders argue that this should not be seen as a “weakness” of the sector relative to others. The qualification profile reflects the nature of the sector, and its contribution to the economy in providing many entry-level jobs in high volumes to young people and

⁶ COOL Programme Partners, Feb 2015. ‘Economic Impact Research - The Economic Impact of the Kent Visitor Economy in 2013’. The South West Research Company Ltd.

⁷ The Model estimates employment as a result of tourism across a range of standard industrial sectors, including retail and transport & distribution as well as accommodation, food and catering.

others, including those with lower levels of qualifications and older people. Stakeholders feel that, for those with the right employability and soft skills, it is possible to enter the sector and progress into more senior roles.

The new National Living Wage will be a challenge for employers, but could also help to address the issue of negative perceptions of work in the sector.

Employment in the sector is forecast regionally to grow at twice the rate of the overall economy which could mean demand for an extra 5-6,000 workers in Kent & Medway by 2022. Visit Kent's forecast suggest this figure could be higher, given new visitor infrastructure and local strategies to increase visitor numbers. In addition, London Paramount Park, if it goes ahead, could create between 20,000 and 25,000.

Key skills related issues are:

- The image of the sector needs to be improved and people helped to see the many career opportunities therein, if people are to be recruited in the numbers expected.
- There is an opportunity to address skills issues in a sector-led way through the KCC-supported Tourism and Hospitality Guild, if extra resources can be secured for facilitation of the network and to deliver projects, including, for example, its idea for a work experience "Kent Passport" and collaborative activity to increase the take up of Apprenticeships.
- A specific challenge is that skilled people often look to London for career progression, when there are good opportunities in Kent.
- Customer service skills are of strategic importance if the sector is to grow as planned.
- A need to drive the professionalisation of management in the sector, especially for small businesses. This requires both skills training and business support to help companies take the "next step".

Financial and Business Services

Finance & Business Services is a very broad and significant employment sector nationally and in Kent & Medway accounts for 6% of overall employment. For the most part local employment in the sector is

less prominent than in the UK as a whole. However, the District of Tunbridge Wells is an exception and contains nearly a fifth of Kent & Medway's employment in the sector. The sector has a large number of microbusinesses and these account for 49% of all employment in the sector (compared with 35% across the economy as a whole).

Employment in the sector in Kent & Medway was fairly static over the period 2009 to 2013 but is forecast regionally and nationally to grow more strongly than the overall economy over the next 5-7 years. If Kent & Medway were to reflect these forecasts, this would suggest the need for an additional 4-5,000 workers by 2022. However, some caution is needed with these figures. Local intelligence suggests that, the banking sector, for example, is continuing to centralise administration functions, but to lower cost locations, suggesting that there is likely to be contraction in the local workforce.

The Finance & Business Services workforce has a much more highly qualified workforce profile than the 'all industry' average, with nearly half (49%) of all workers qualified to at least degree level. More than half of the workforce are in professional or associate professional occupations.

This very broad sector has a range of skills needs. This includes an ongoing need for Professional and Associate Professional staff to continually develop their specialist and technical skills. There is also a need for IT skills and training in the use of new technologies. Management and leadership skills are likely to be in continual demand for the sector to be responsive to new market opportunities, changes in regulation and to compete in an increasingly globalised economy. Customer service skills are an ongoing requirement among customer-facing staff to maintain high levels of service. Risk management and regulatory compliance is deemed a high priority among all occupational groups in Financial, insurance and other professional services. A key general requirement is general work readiness, communication skills and personal presentation, as well as basic maths and English.

Health and Social Care

The Health & Social Care Sector is a major employment sector in Kent & Medway accounting for 13% of the employment (over 72,000 people).

Employment in the sector is more focused in medium and large organisations (50+ employees) than the average for all industries (53% compared with 40%). Employment in the sector has a dual structure with a significant proportion of highly qualified professionals (29%) and a large number of people employed in personal service occupations with intermediate level qualifications. Employment is forecast to grow by 2-3,000 workers in the sector by 2022, but the new National Living Wage could have a significant effect on the employment in the sector and reduce the likelihood of such growth.

Key issues identified by stakeholders for the care sector are:

- In workforce development continued need to focus on frontline care skills, as driven by the CQC.
- Recruitment is a challenge and more people need to be attracted into the sector, including through communicating better with schools, and colleges to engage young people and make the sector more attractive to them. The key thing is to create an appetite in young people to work in care by communicating better what happens in the sector – what people do, how people help, why it all makes a difference. There could also be scope to recruit more young people, including through Apprenticeships.

Energy and Utilities

The Energy & Utilities sector is a relatively small employment sector within Kent & Medway accounting for just 1% of employment. Employment in the sector is relatively concentrated in medium and large employers (50+ employees), who employ 51% of the workforce (compared with 40% across all industries). There is also a large number of people working in contracted out services in activities like power generation, but these people are also very mobile and might work across the country, rather than be local. The sector is forecast to grow regionally at a faster rate than the overall economy. This could mean a demand for an additional 5-700 workers in Kent & Medway by 2022.

The sector has quite a diverse workforce with many different occupations and the qualification profile of the workforce is similar to the all industry average.

However workers are slightly less likely to have graduate level qualifications (29% compared with 35% across all industries). In energy generation graduate level qualifications are more in demand now than in the past, and the market is moving more towards requiring qualifications generally. This is driven in part by compliance requirements.

Large companies face few recruitment problems, except for very specialist roles. Smaller renewables companies may find that they have lots of Apprenticeship applicants, but there are fewer people with specialist experience in technologies like biomass. So they tend to get people with a more general skills set and train them up.

Life Sciences

Life Sciences employs 4,000 people and has 165 companies (although research by Locate in Kent puts the employment figure at 7,000) in a range of activities, including a burgeoning Med Tech sub-sector, which in itself includes medical devices and diagnostics. Larger businesses account for most employment, but much of the growth and innovation is in smaller companies, which are creating new jobs and attracting inward investment. Employment overall, though, has fallen significantly since the ending of many Pfizer operations at Sandwich.

National and regional forecasts suggest that the sector will grow by about 6% by 2022, in line with the economy as a whole. However, local circumstances suggest that the growth opportunity could be greater in Kent, given the strategic commitment of KCC to the knowledge economy and innovation; the facilities, support (including Biogateway and the advocacy of Locate in Kent) and employment space at Discovery Park; the area's excellent connections to mainland Europe; and the knowledge and skills legacy of Pfizer.

The workforce is predominantly professional and highly qualified with the most skilled professionals operating in a national and international labour market. Companies tend to have very varied and specific skills needs, although having soft skills and the right "mind set" is important, especially in smaller, more entrepreneurial companies.

The key skills related issues that merit further attention are:

- The interface with schools, colleges and HE could be improved in terms of the processes involved in, for example, Apprenticeships and working with HE, which are too complex. The whole system seems very fragmented.
- There is a need to market better the opportunities in the sector to parents, young people and school Heads in order to build understanding of actual jobs, careers, choices and qualifications (including Apprenticeships).

Biogateway, which has held events at Discovery Park and Kent Science Park, is working to address this knowledge gap through, for example, its work with EBP and others on the “Young Biogateway” project (which creates a 9-month programme for Year 10 students). Practice like this could provide the basis for a more coordinated approach to the sector in terms of improving the interface with the education system and helping local people connect better the work and career options that are available.

Digital and Media

The sector employs over 20,000 people in Kent and Medway and makes up 4% of the employed workforce. Micro-businesses (with up to 9 staff) account for 95% of firms in the sector (88% for the economy as a whole). Freelancers play a significant role in the sector, and can grow into businesses that employ more people. Kent and Medway benefits from being a relatively low-cost location (compared to say Brighton or London), and there are many innovative people.

This is growing sector, with employment having increased by 6% between 2008 and 2013, and forecast, based on national trends, to increase by 16% (3,300 jobs) between 2013 and 2022. It has been suggested that this growth forecast may be over-ambitious, unless supporting sector-led strategies, perhaps focused on the development of clusters, and business support are in place to enable this. In such a dynamic sector it is important to accept that there will be business failures, as well as successes. If this business growth does not happen, Kent and Medway runs the risk of becoming the “workshop” of London-based media companies, doing low-cost contract work.

The qualifications profile of the sector workforce is higher in terms of level than the overall Kent and Medway employed workforce, and there are few low-

skilled roles. 40% of the workforce are in professional occupations, double the percentage for the employed workforce as a whole. The main skills needs are in technical / “hands on” subjects and more general business management, although employers often find that potential new recruits can lack work readiness, soft skills and sometimes life skills

The key skills related issues that require attention are:

- Supporting firms to take “the next step” and grow. This involves things like business support and the availability of suitable premises, but also has a skills dimension, with commercial skills being especially important.
- Design Tech and Business Studies curricula need updating to reflect modern sector realities and the learning curve that people face when wanting to convert their activities into businesses. Much of this would be relevant and transferable to other sectors. FE seems to be more in touch with this need in terms of its offer.
- There is scope to develop a more productive two-way relationship between the academic world and sector businesses. Academia can feed business, and vice versa in joint research, for example, in work which is often at the edge of people’s knowledge and understanding. Such collaboration could be quite creative and generative, but is currently held back by things like software licensing and IP issues. Good practice in this area has been developed by HE in Guildford.

There is a wide range of workforce development needs, including software training in subjects like animation and special effects, as well as and CPD, all of which can be very expensive. Business development skills are also needed, especially if these help with a move into more B2B services and skills like budgeting, the use of spreadsheet and pitching.

Arts and Creative

The Arts and Creative sector is small in employment terms, accounting for only 1% of all employment in Kent and Medway. Micro-businesses predominate, making up 95% of companies (compared with only 88% for the economy as a whole). There is also a lot of self-employment, which may not be apparent from national statistics. The numbers of people employed

in the sector have remained largely static in recent years, but are expected to rise by around 8% from 2013 to 2022 (compared with 6% for the economy as a whole).

The most common broad occupational category in the sector is Associate Professional and Technical Occupations. These account for 35% of employment in the sector, as opposed to 14% of employment for the economy as a whole. The sector workforce is better qualified in terms of level than the workforce as a whole, especially in terms of Higher Level skills (Level 4+).

The key skills related issues are:

- People who have worked as interns need a “next step” to move on to, and this is not always easy to find. So there is probably a need for something which would raise awareness of what creative companies there are in Kent, enable progression in work and strengthen the profile of the sector in the process, perhaps something along the lines of “Created in Kent”. This might also help with universities finding placements for students, where a further barrier is businesses concerns about expectations on them to provide employment at the end of the placement.
- There are a number of areas where skills could improve the capacity of the sector. Arts funding and development skills are difficult to find, but are increasingly important as companies look to diversify their income streams. Understanding information and data is important too, especially as this relates to audiences, marketing and evaluation. A final area of skills need is in business plan development and work planning. There might be scope to create new secondment opportunities for people with specialist from other sectors.

4. Skills Supply/Community Needs

4.1 Kent & Medway Community Profile

There are just over 1 million people of working age in the Kent & Medway sub-region.

Figure 4.1: Population

	Kent & Medway	SELEP
All people	1,764,600	4,052,100
<i>Males</i>	865,900	1,980,700
<i>Females</i>	898,700	2,071,300
All people age 16-64	1,095,400	2,495,300
<i>Male</i>	543,000	1,233,500
<i>Females</i>	552,400	1,261,700

Source: ONS Mid-year Population Estimates. Total population (2013)

The age profile of the population is broadly similar to that of the SELEP area as a whole. However there are slightly higher numbers of younger people in the sub-region (0-29 years) a key age group for education and training.

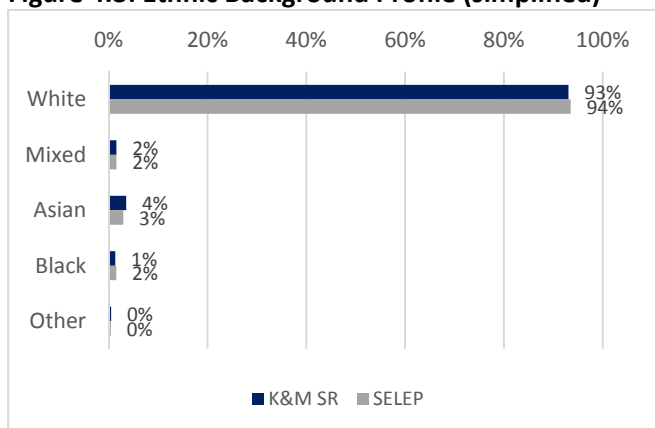
Figure 4.2: Age profile benchmarked

	K&M population	K&M relative to national profile	How many people (more or less) than might be expected
Aged 0 - 15	342300	103%	8600
Aged 15 - 19 years	113600	104%	5000
Aged 20 - 24 years	111200	108%	8600
Aged 25 - 29 years	104300	103%	2900
Aged 30 - 64 years	789100	99%	-6000
Aged 65+ years	326900	95%	-16300

Source: ONS Mid-year Population Estimates. Total population (2013)

The ethnic profile of Kent & Medway is also similar to that of the SELEP area (Figure 1.9). On average both Kent & Medway and SELEP have smaller ethnic minority communities than Great Britain as a whole (where ethnic minorities make up 12% of the population).

Figure 4.3: Ethnic Background Profile (simplified)



Source: Census 2011

There are nevertheless concentrations of ethnic minorities within parts of Kent & Medway, with a significant Asian community in north Kent. People from Asian ethnic minority backgrounds make up between 5% and 10% of the population in Dartford, Gravesham and Medway.

4.2 Unemployment & Economic Inactivity

Unemployment and economic inactivity represent key signifiers of unmet community demand for jobs. National statistics for July 2013 to June 2014 highlight that unemployment in Kent & Medway is close to the SELEP and Great Britain averages of 6%. This suggests the labour market is functioning reasonably well. Nevertheless there are over 53,000 people in the sub-region actively looking for work and a further 73,000 who are economically inactive and would like work, significantly more than might be expected given national figures (Figure 4.4).

Figure 4.4: Unemployment and Economic Inactivity

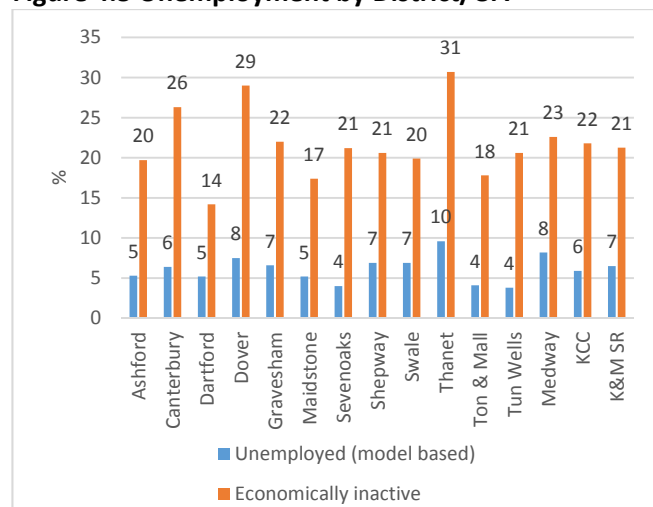
	Kent & Medway (numbers)	Kent & Medway (%)	SELEP (%)
Unemployed (model based)	53,800	7	6
Economically inactive	232,900	21	23
Of whom: want a job	73,100	31	25

Source: ONS annual population survey. Employment and unemployment (Jul 2013-Jun 2014)

Unemployment and economic inactivity figures are higher than the SELEP and national averages in Thanet and Dover (Figure 4.5). Unemployment rates are also slightly higher than average in the Medway towns while the economic inactivity rate is higher in Canterbury than might be expected from its unemployment figures.

Just over 20,000 people in Kent & Medway were eligible for and claiming Job Seekers Allowance in September 2014.

Figure 4.5 Unemployment by District/UA



Source: ONS annual population survey. Employment and unemployment (Jul 2013-Jun 2014)

Some level of unemployment is to be expected as a result of churn (as people move from one job to another). However, unemployment for more than 6-12 months can be considered more of an issue. In Kent & Medway, just over 8,000 people had been claiming Job Seekers Allowance for more than 6 months.

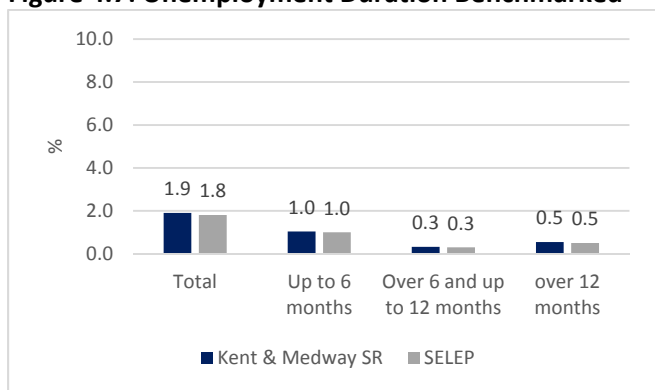
Figure 4.6: Unemployment Duration

	Kent & Medway Number
Total	20,395
Up to 6 months	11,115
Over 6 and up to 12 months	3,430
over 12 months	5,855

Source: ONS Claimant Count. JSA claimants by age and duration (September 2014)

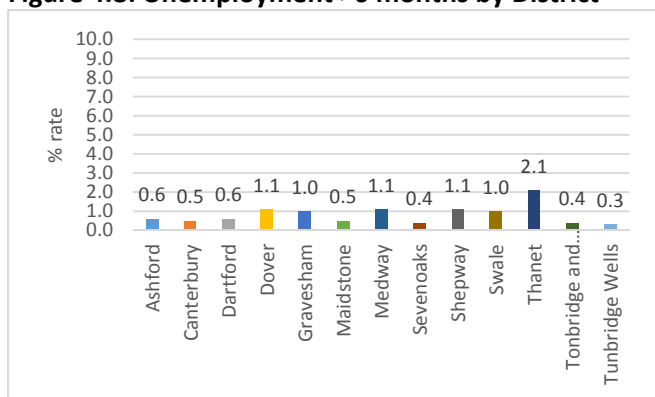
Whilst this level is similar to the sub-regional and national averages (Figure 4.7), long term unemployment can have negative social and psychological impact and it is a national priority to reduce this figure still further.

Figure 4.7: Unemployment Duration Benchmarked



Source: ONS Claimant Count. JSA claimant duration (September 2014)
The proportion of working age adults claiming unemployment benefit for more than 6 months also varies between Districts from 0.3% in Tunbridge Wells to 2.1% in Thanet.

Figure 4.8: Unemployment >6 months by District



Source: ONS Claimant Count. JSA claimant duration (September 2014)

Similarly, unemployment can be particularly problematic for the young (who may fail to gain experience at a critical stage of their career) and those over 50 (who may have previously worked in an occupation that is no longer in demand in the labour market).

Figure 4.9 shows that the proportion of 18-24 year olds claiming Job Seekers Allowance is double the average for all ages.

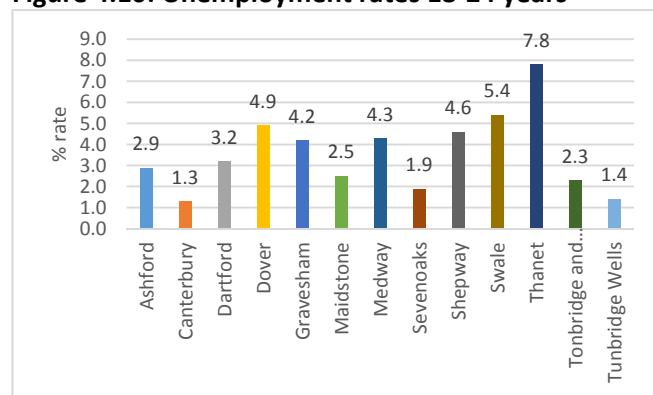
Figure 4.9: Unemployment by Age

	K&M Number	K&M % of age group	SELEP % of age group
All ages	20,395	1.9	1.8
Aged 18 to 24	5,470	3.5	3.5
Aged 25 to 49	10,725	1.9	1.8
Aged 50 to 64	4,185	1.3	1.2

Source: ONS Claimant Count. JSA claimants by age and duration (September 2014)

In Thanet, the unemployment rate for 18-24 year olds is 7.8%. It is also higher than the Kent and Medway average in Dover, Gravesham, Medway, Shepway and Swale.

Figure 4.10: Unemployment rates 18-24 years



Source: ONS Claimant Count. JSA claimants by age and duration (September 2014)

The issue of youth unemployment is also highlighted by official NEET (Not in Employment, Education or Training) figures. These figures are calculated from Local Authority and school records. Overall Kent & Medway has a similar proportion of NEETs to the South East as a whole (4.2% at end of 2014), although the figures are significantly higher in Swale, Thanet and Medway.

Figure 4.11: NEETs by District

	2013	2014
Ashford	5.2	4.3
Canterbury	5.2	4.5
Dartford	5.7	4.4
Dover	6.3	4.7
Gravesham	5.9	5.0
Maidstone	4.9	4.1
Sevenoaks	4.3	3.4
Shepway	6.4	5.1
Swale	6.5	6.5
Thanet	7.5	5.6
Tonbridge & Malling	3.8	3.5
Tunbridge Wells	3.9	2.9
Kent (KCC)*	5.5	4.7
Medway*	6.7	7.3

Source: KCC Districts from CXK Ltd Monthly Dashboard Report. December figures for both years. County/UA Figures for 2014 from National Statistics. Medway for 2013 from Medway Client Caseload Information System (CCIS) – end of February 2013.

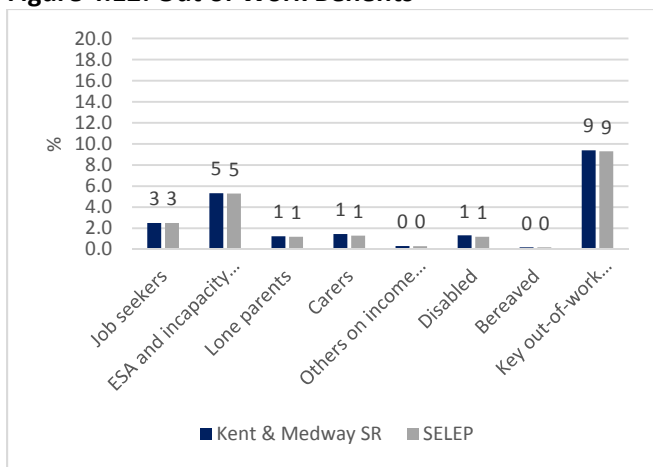
From summer 2013, young people were required to continue in education or training until the end of the academic year in which they turn 17 and local efforts to fulfil this duty are reflected in the fall in NEET percentages between 2013 and 2014. From 2015,

young people will be required to continue in education or training until their 18th birthday.

4.3 Social Needs

Whilst the number claiming Job Seekers Allowance is relatively small, over 100,000 people are claiming some kind of out of work benefit in Kent & Medway. This highlights both a degree of slack in the labour market and some wider potential social and economic problems. The proportion claiming key out of work benefits (including Job Seekers Allowance) is nevertheless similar to the SELEP average.

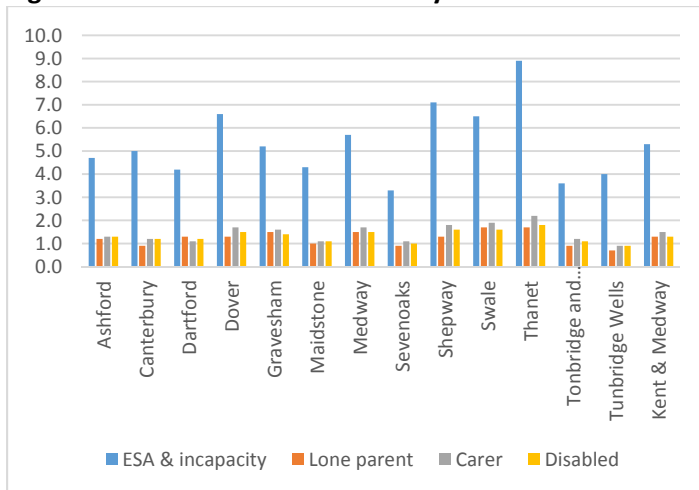
Figure 4.12: Out of Work Benefits



Source: DWP benefit claimants - working age client group. Working-age client group - key benefit claimants (February 2014). Benefit recipients are classified under their main benefit only.

The proportion of working age people in Thanet claiming Employment Support Allowance or Incapacity Benefit is however nearly double the Kent & Medway average.

Figure 4.13: Out of work benefits by District

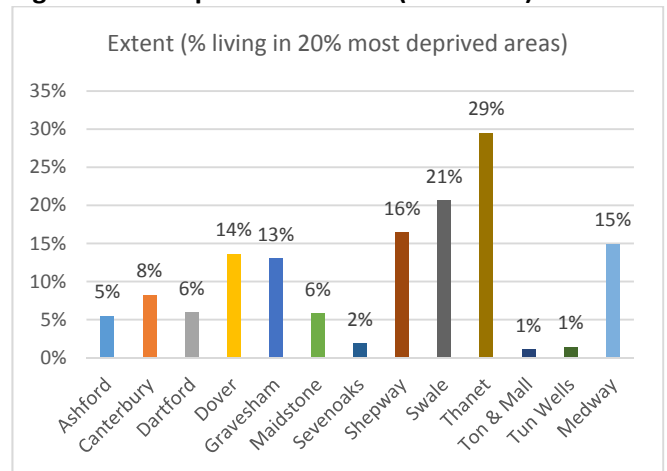


Source: DWP benefit claimants - (February 2014). Benefit recipients are classified under their main benefit only.

Indeed, the number of claimants of a wide range of benefits reflect similar geographical patterns, reflecting the wider geography of socio-economic deprivation.

The Index of Multiple Deprivation highlights that some Districts such as Sevenoaks, Tunbridge Wells and Tonbridge and Malling are amongst the least deprived areas of the country. However, there are significant pockets of social and economic deprivation in Thanet, and to a lesser extent in Swale, Medway and Shepway, and there are some pockets of deprivation in all local authority areas.

Figure 4.14: Deprivation Extent (IMD 2010)



Source: Index of Multiple Deprivation 2010

In an attempt to tackle the cycle of socio-economic deprivation, Local Authorities have been specifically tasked with identifying and supporting troubled families, defined as households which have:

1. One or more under 18s with a criminal record from the last 12 months or an ASBO type notice OR
2. A child excluded from school 3 times, or in a special unit as a result of exclusions or with more than 15% unauthorised absence rate AND
3. An adult in receipt of benefits

Figure 4.15 highlights current progress towards identifying and supporting troubled families within the Kent County Council area.

Figure 4.15: Troubled Families - Summary of progress

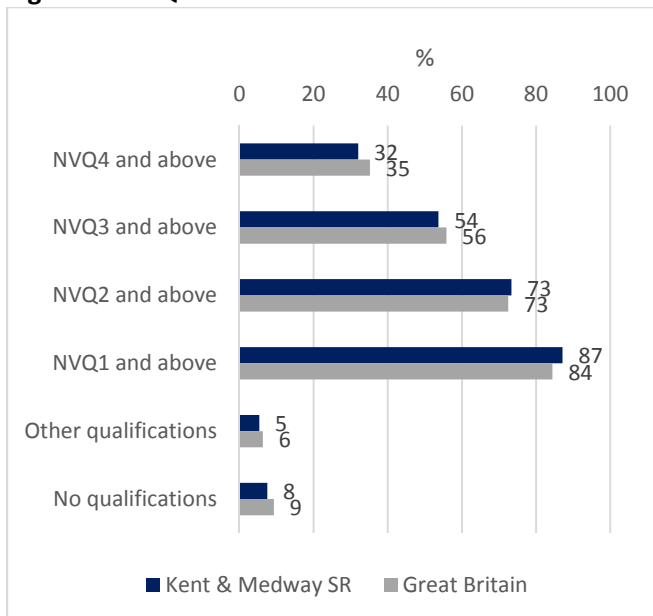
Progress by November 2014	Identified families		Engagement
	Number identified	% target achieved	% families engaged
Ashford	265	137%	69%
Canterbury	348	122%	60%
Dartford	160	169%	75%
Dover	318	119%	63%
Gravesham	231	129%	46%
Maidstone	272	144%	40%
Sevenoaks	163	160%	52%
Shepway	354	158%	73%
Swale	413	112%	83%
Thanet	422	116%	77%
Ton & Mall	232	133%	74%
Tunbridge Wells	150	132%	82%
County (KCC)	3,328	130%	67%

Source: KCC February, 2015

4.4 Skills & Qualifications

The working age resident population in Kent & Medway is slightly more likely to have high level qualifications (NVQ4 or degree level) than the population across the SELEP area (32% compared with 30%). They are however less likely to have intermediate or high level qualifications than Greater Britain as a whole (see Figure 4.16).

Figure 4.16: Qualification Profile Benchmarked



Source: ONS annual population survey Qualifications (Jan 2013-Dec 2013). Residents aged 16-74

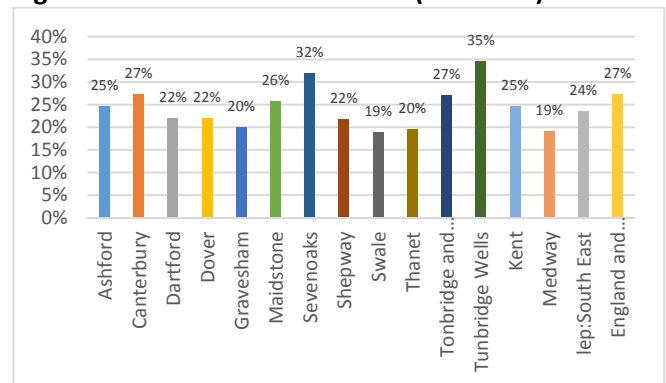
Figure 4.17: Qualification Profile (resident numbers)

Kent & Medway	
NVQ4 and above	338,100
NVQ3 and above	566,800
NVQ2 and above	774,400
NVQ1 and above	920,000
Other qualifications	56,800
No qualifications	79,200

Source: ONS annual population survey Qualifications (Jan 2013-Dec 2013). Residents aged 16-74

Given the trends towards increasing demand for high level qualifications in a wide range of sectors and occupations there is a distinct need for Kent & Medway to upskill its adult residents. Figure 4.18 highlights that the proportion of residents with graduate level qualifications is below the national average in many Kent Districts. Only Tunbridge Wells and Sevenoaks have higher levels, whilst Canterbury and Tonbridge & Malling have proportions similar to the national average.

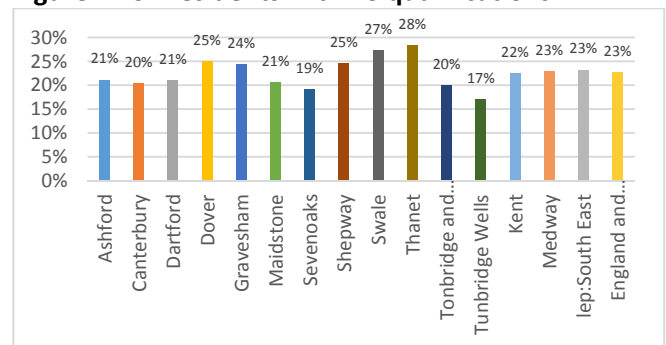
Figure 4.18: Graduate level skills (residents)



Source: ONS Census 2011. Residents aged 16 or over.

In contrast, the proportion of residents with no qualifications at all is higher than the national average (23%) in Thanet, Swale, Shepway, Dover and Gravesham (see Figure 4.19).

Figure 4.19: Residents with no qualifications

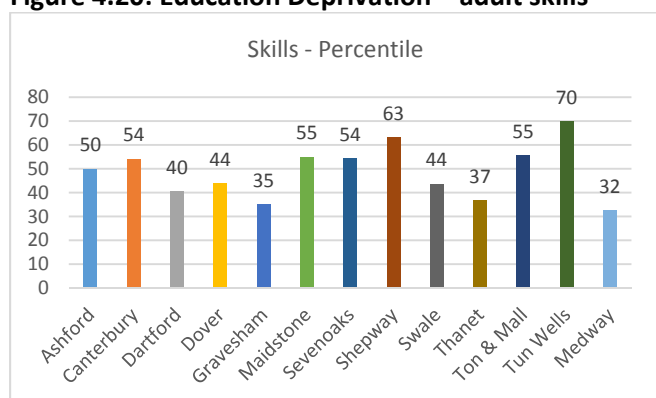


Source: ONS Census 2011. Residents aged 16 or over.

The Index for Multiple Deprivation has a specific indicator for education and training deprivation. This highlights that some areas within Kent & Medway perform much better in terms of adult skills profile than others. Medway, for example, is in the bottom third of Districts nationally, whilst Tunbridge Wells is in the top third.

Figure 4.20 shows what percentile each District/UA is in nationally (with 0% being the most deprived and 100% the least) on the overall education and training indicator.

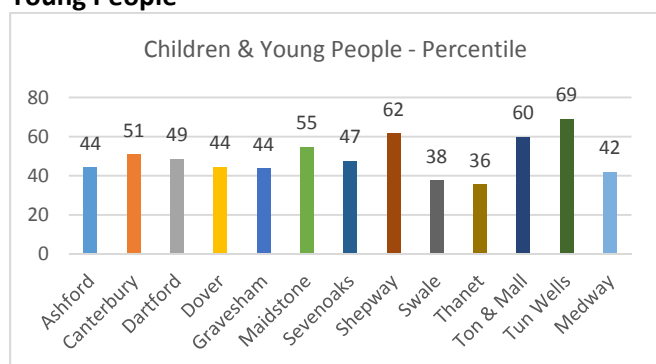
Figure 4.20: Education Deprivation – adult skills



Source: Index of Multiple Deprivation 2010. District/UA percentiles calculated from Lower Super Output (LSOA) average rank.

The picture for young people is fairly similar.

Figure 4.21: Education Deprivation – Children & Young People



Source: Index of Multiple Deprivation 2010. District/UA percentiles calculated from Lower Super Output (LSOA) average rank.

The indicators within the Children and Young People part of the index include attainment at Key stage 2, 3 and 4; secondary school absence, the proportion of young people not staying on in school or non-advanced education above age 16 and the proportion of young people aged under 21 not entering higher education.

Annex (i): Workshop and Interview Participants

Agriculture and Horticulture

Mike Bax (BTF Partnership), Oliver Doubleday (GH Dean & Co), Kim Wetherell and Gary Clarke (GFS Agri), Sarah Webster (Brachers LLP)

Manufacturing

Mark Bargent and Catherine Barton (Cummins), David Evans (Sunray Engineering), Nikki Greig (MEP Ltd), Mark Knowlton (Fit for Nuclear project lead and Manufacturing Advisory Service consultant), Liz Rickaby (Royal British Legion Industries), Michelle Sinclair (MJ Allen Group), Prof Rao Bhamidimarri (London South Bank University), Paul Winter (Wire Belt Co Ltd), Verity O'Keefe (Engineering Employers' Federation, pending, 10/09/2015).

Construction

Ella Brocklebank (Woodley Coles LLP), Cheryl Causebrook (EPPS), Clare Clifford (Cablesheer Group), Steve Hale (Crofton Design), Annamaria Horvath (Bosch Global Associates Ltd), Mark Syrett (JTL Training), Peter Webb (Mid-Kent College).

Retail

Ben Gay (Training & Facilities Manager, Bluewater Learning Shop) Adam Sales (Recruitment Team Lead, Bluewater Learning Shop).

Transport and Logistics

Ashley Smith (Brett Aggregates), Anita Wilson (Port of Dover), Charles Buchanan (Lydd Airport), Natalie Chapman (FTA).

Tourism and Hospitality

Sandra Matthews-Marsh (Visit Kent), Trevor Bond (Dover Marina and Spa), Sophie Woodward (Mulberry Cottages).

Finance and Business Services

Andy Smith (Lloyds Bank).

Health and Social Care

David Dye (Strode Park Foundation), Adam Hutchison (Belmont Sands Care Group, Nathan Pascall-Smith (Medway NHS Foundation Trust, pending).

Energy and Utilities

Mike Allen (E-On UK) and Jo Alsop (The Heating Hub).

Life Sciences

Liz Wickenden (Quvium UK Ltd), Jackie Fotheringham (University of Kent), Jonathan Clarke (MorganJones Consultants), Mandy Bearne (Locate in Kent), Alex Watson (Locate in Kent and Independent Consultant).

Digital and Media

Gemma Johnson-Brown (Dovetail Games), Geoff Miles (The Maidstone Studios), Jo Nolan (Screen South), Jon Pratty (Ideas Test).

Arts and Creative Industries

Rebecca Brown (Gulbenkian Canterbury), Amanda Hutson (Canterbury Christ Church University), Jon Pratty (Ideas Test & formerly Arts Council), Frankie Wing (Jasmin Vardimon Company).

Annex (ii): Local Sector Employment Strengths

Sector Profile - Employment benchmarked (Location Quotients)

	Ashford	Canterbury	Dartford	Dover	Gravesham	Maidstone	Sevenoaks	Shepway	Swale	Thanet	Ton & Mall	Tun Wells	Medway	KCC	K&M SR
1&2: Primary Industries	0.7	0.5	0.5	0.4	0.3	0.5	0.5	1.5	0.6	0.4	1.7	0.4	1.0	0.7	0.7
3: Manufacturing (C)	1.1	0.4	0.5	1.0	0.8	0.7	0.7	0.5	1.6	0.9	0.7	0.5	1.0	0.8	0.8
4: Construction (F)	1.0	0.9	3.3	1.0	1.8	1.3	2.0	1.1	1.5	1.0	1.5	0.8	1.5	1.5	1.5
5: Motor trades (Part G)	1.5	1.3	0.8	1.3	1.1	1.4	1.1	0.9	1.2	0.8	1.7	1.5	1.1	1.2	1.2
6: Wholesale (Part G)	1.5	0.7	1.1	0.5	0.5	1.0	1.0	0.4	1.0	0.5	1.5	1.5	0.8	1.0	1.0
7: Retail (Part G)	1.2	1.3	1.8	1.0	1.4	1.0	1.0	1.2	1.1	1.5	1.3	1.5	1.2	1.3	1.3
8: Transport & storage (inc postal) (H)	1.0	0.4	1.7	2.3	1.5	0.8	0.4	1.4	2.1	1.0	1.5	0.4	1.2	1.1	1.1
9: Accommodation & food services (I)	1.0	1.3	0.8	1.3	1.1	1.1	0.9	1.1	0.9	1.2	0.8	1.0	0.9	1.0	1.0
10: Information & communication (J)	0.7	0.6	0.6	0.3	0.4	0.7	1.3	0.4	0.5	0.4	1.0	1.2	0.5	0.7	0.7
11: Financial & insurance (K)	0.4	0.6	0.4	0.5	0.4	0.9	0.8	1.4	0.4	0.6	1.2	2.1	0.9	0.8	0.8
12: Property (L)	0.5	0.6	0.6	0.6	0.8	0.9	1.4	0.7	0.7	0.7	1.0	1.0	0.7	0.8	0.8
13: Professional, scientific & technical (M)	0.9	0.6	0.4	0.7	0.5	0.7	1.2	0.5	0.6	0.4	0.7	1.0	0.4	0.7	0.7
14: Business administration & support services	0.9	0.7	1.5	0.6	1.0	1.2	1.6	1.3	0.9	0.8	1.1	0.7	0.9	1.1	1.0
15: Public administration & defence (O)	0.6	0.7	0.2	1.8	1.5	2.1	0.3	1.7	0.9	0.7	0.8	0.2	1.0	0.9	0.9
16: Education (P)	0.9	2.3	0.7	1.3	1.5	0.8	1.0	1.0	1.1	1.6	1.1	1.0	1.4	1.2	1.2
17: Health (Q)	1.1	1.2	0.9	0.9	0.7	1.1	0.7	1.0	0.8	1.4	0.5	1.2	1.1	1.0	1.0
18: Arts, entertainment, recreation & other ser	1.1	1.2	0.5	1.0	1.1	0.8	1.3	1.0	0.8	1.0	1.1	1.1	1.1	1.0	1.0
TOTAL	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0

Source: ONS BRES 2013

BASE: GREAT BRITAIN

District Sector Strengths by Sector (Standard Industries)

Agriculture (Primary Industries) – Shepway, Tonbridge & Malling

Manufacturing – Swale

Construction – Dartford, Gravesham, Maidstone, Sevenoaks, Swale, Tonbridge & Malling, Medway

Motor Trades – Ashford, Canterbury, Dover, Maidstone, Swale, Tonbridge & Malling, Tunbridge Wells

Wholesale – Ashford, Tonbridge & Malling, Tunbridge Wells

Retail – Ashford, Canterbury, Dartford, Gravesham, Shepway, Thanet, Tonbridge & Malling, Tunbridge Wells, Medway

Transport & Storage – Dartford, Dover, Gravesham, Shepway, Swale, Tonbridge & Malling, Medway

Accommodation & Food services – Canterbury, Dover, Thanet

ICT – Sevenoaks, Tunbridge Wells

Finance & Insurance – Shepway, Tonbridge & Malling, Tunbridge Wells

Property – Sevenoaks

Professional, scientific & technical – Sevenoaks

Business admin & support services – Dartford, Maidstone, Sevenoaks, Shepway

Public admin – Dover, Gravesham, Maidstone, Shepway

Education – Canterbury, Dover, Gravesham, Thanet, Medway

Health – Canterbury, Thanet, Tunbridge Wells

Arts & entertainment – Canterbury, Sevenoaks

Sector Strengths (Standard Industries) by District

Ashford – Wholesale, Motor Trades and Retail

Canterbury – Motor trades, Retail, Accommodation & food, Education, Health, Arts & entertainment

Dartford – Construction, Retail, Transport & storage, Business admin & services

Dover – Motor trades, Transport & Storage, Accommodation & food, Public admin, Education

Gravesham – Construction, Retail, Transport & Storage, Public admin, Education

Maidstone – Construction, Motor trades, Business admin & services, Public admin

Sevenoaks – Construction, ICT, Business admin & services, Arts & Entertainment

Shepway – Agriculture, Retail, Transport & Storage, Business admin & services, Public admin

Swale – Manufacturing, Construction, Motor trades, Transport & Storage

Thanet – Retail, Accommodation & food services, Education, Health

Tonbridge & Malling – Agriculture, Construction, Motor Trades, Wholesale, Retail, Transport & Storage, Finance & insurance

Tunbridge Wells – Motor trades, Wholesale, Retail, ICT, Finance & insurance, Education

Medway – Construction, Retail, Transport & Storage, Education

Annex (iii): Sector Skills – Agriculture & Horticulture

NOTE ON AGRICULTURE STATISTICS

National Statistics do not include SIC code 1: Crop and Animal Production at a local level (County or District) which is a major component of employment in this sector. Farming business and employment figures are collated by DEFRA who release them primarily at a regional and national level. This section therefore includes some secondary material from other reports in conjunction with estimates of the workforce composition from the employment forecasting model developed by the University of Warwick/Institute of Employment Studies for the UK Commission for Employment and Skills (UKCES). The UKCES model was developed using South East figures.

Figure 1: Key Statistics – Agriculture & Horticulture

	Sector	All inds		Sector	All inds
Enterprises 2008*	6,000		Change in empl 2008-2013		
Employment 2008*	12,000		% Change		
Estimated Employment as % of all inds	2%			NA	+1%
			% Forecast change in empl 2013-2022		
% microbusinesses (0-9 empl)**	94%	88%	Estimated change		
% medium/large (50+)	NA	2%		-3%	+6%
				-400	

Sources: Employment stats –

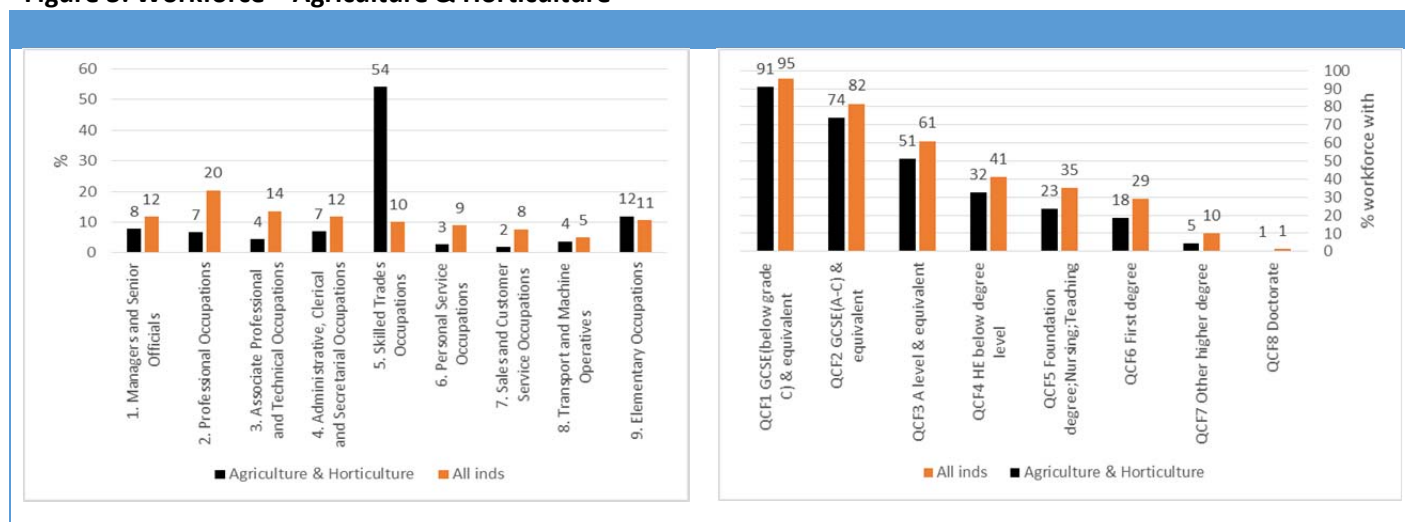
*KCC 2009 'The Agricultural Sector and Rural Businesses in Kent'. Research & Intelligence report.

**LANTRA South East Factsheet 2010-2011.

Figure 2: Local Concentrations – Agriculture & Horticulture

Data not available for the Agriculture & Horticulture sector

Figure 3: Workforce – Agriculture & Horticulture



Source: UKCES Working Futures 2012-2022, IER estimates c132

Notes: Based on figures for South East England.

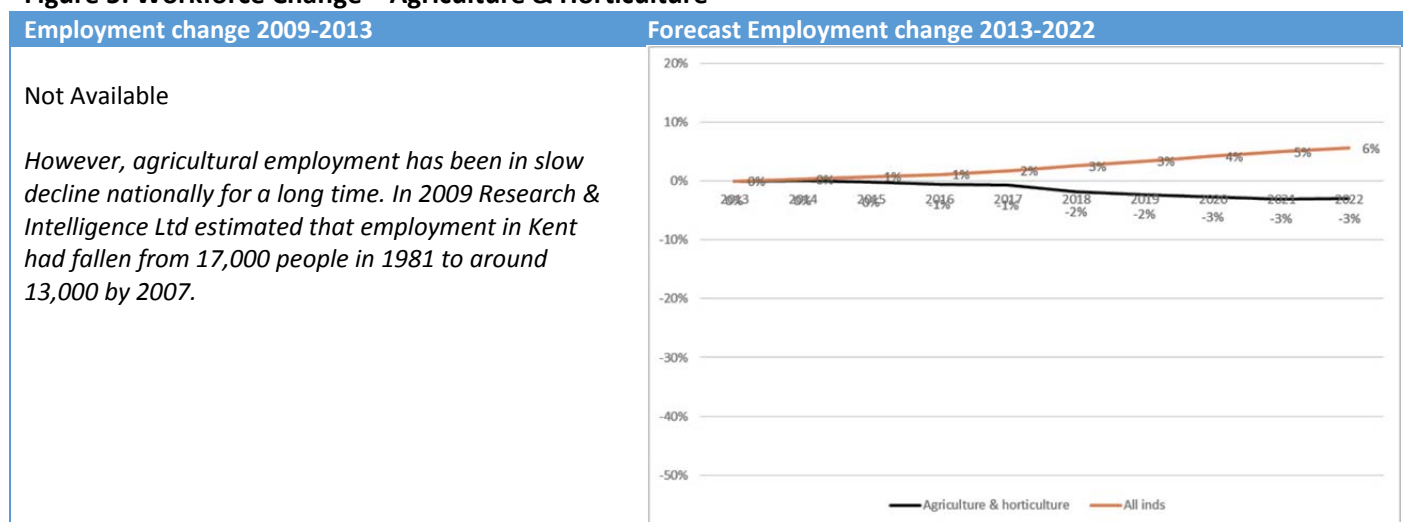
Figure 4: Workforce Detailed Occupations – Agriculture & Horticulture

Occupation	Sector %	Est. empl
11 Corporate managers and directors	2%	300
12 Other managers and proprietors	6%	700
21 Science, research, engineering and technology professionals	2%	300
22 Health professionals	<1%	<100
23 Teaching and educational professionals	<1%	<100
24 Business, media and public service professionals	4%	500
31 Science, engineering and technology associate professionals	1%	100
32 Health and social care associate professionals	<1%	<100
33 Protective service occupations	<1%	<100
34 Culture, media and sports occupations	<1%	<100
35 Business and public service associate professionals	3%	400
41 Administrative occupations	4%	500
42 Secretarial and related occupations	3%	300
51 Skilled agricultural and related trades	48%	5,300
52 Skilled metal, electrical and electronic trades	2%	200
53 Skilled construction and building trades	2%	200
54 Textiles, printing and other skilled trades	1%	100
61 Caring personal service occupations	2%	300
62 Leisure, travel and related personal service occupations	<1%	<100
71 Sales occupations	1%	200
72 Customer service occupations	1%	100
81 Process, plant and machine operatives	1%	200
82 Transport and mobile machine drivers and operatives	2%	200
91 Elementary trades and related occupations	7%	800
92 Elementary administration and service occupations	4%	500
Total	100%	

Source: UKCES Working Futures 2012-2022, IER estimates c132.

Notes: Percentage figures for South East England. Local employment estimates derived by Emergent Research & Consulting Ltd.

Figure 5: Workforce Change – Agriculture & Horticulture



Source: Employment change - ONS BRES 2013. Employment Forecasts UKCES Working Futures 2012-2022, IER estimates c132

Notes: Forecasts based on figures for South East England. Historic figures % change based from 2009. Forecast % change from 2013.

Sector definition used in statistics (SIC Codes)

- 01 : Crop and animal production, hunting and related service activities
- 02 : Forestry and logging
- 03 : Fishing and aquaculture

Analysis of the Agriculture & Horticulture Sector

1. Key Messages from the Sector Dashboard

- The agriculture & horticulture sector in Kent & Medway is relatively small in employment terms accounting for between 1 and 2% of the workforce.
- The proportion of microbusinesses in the sector (94%) is higher than the average for all industries and suggests that around half of the workforce is employed in businesses that employ fewer than 10 staff.
- Over half of the workforce are in skilled trades occupations, the majority in skilled agricultural trades. The sector does nevertheless employ staff in a wide range of occupations.
- The qualification profile of the sector reflects its occupational profile and workers are less likely to have level 3 qualifications or above than in the economy as a whole. Nevertheless an estimated 74% of the workforce have a Level 2 qualification.
- The workforce is forecast to continue to decline slowly, principally through further automation, over the next 5-7 years, leading to a net loss of around 400 jobs (3%).

2. Issues identified in National Research

Research by the UK Commission for Employment and Skills (UKCES)⁸ provides a relatively recent national assessment of skills and workforce issues affecting the sector. **Figure 6 (overleaf)** summarises some key points from the analysis using the “PESTLE” analytical framework, with some additional input from Emergent Research’s recent experience of the sector.

UKCES also identified the following specific skills priorities that need to be addressed for sector:

- High priority (crucial) skills for immediate action include setting up structures to demonstrate, record and promote the professionalisation of the sector, succession planning for small businesses, environmental management skills, risk management, scientific knowledge and technology transfer and better ICT skills.
- Other high priority (but not crucial) skill needs are marketing, market analysis, planning and project management, woodland management, crop agronomy and pest and disease identification and control, as well as practical conservation skills.
- Medium priority skills include public engagement, formal recognition of technical and paraprofessional roles, negotiation and influencing skills, as well as customer care, communication and presentation skills.

⁸ *Agriculture, Forestry and Fishing Sector Skills Assessment 2012*, UKCES, October 2012.

Figure 6: Skills and Workforce “PESTLE” Analysis of the Agriculture & Horticulture Sector

<p>Policy / Political</p> <p>Part of the sector’s importance in policy terms relates to its role in the supply of food, and the wider “food chain” (which also includes food and drink manufacture, wholesale, retail and catering). A growing global population and concerns over food security are increasingly important policy issues which place additional importance on the sector.</p>	<p>Technological</p> <p>The sector’s focus on science and technology is likely to increase due the pressures of climate change, food security and demographics, which may increase the likelihood of the implementation of “precision agriculture” and “sustainable intensification”.</p>
<p>Economic</p> <p>In economic terms the sector is small, accounting for only 1% of national GVA and employing around 400,000 people.</p> <p>Ethical consumerism is generating market opportunities for farmers placing greater importance on effective leadership and management.</p>	<p>Legal / Regulatory</p> <p>Environmental regulation of the control of water and emissions are examples of areas where science and technology skills will increasingly be required.</p> <p>Animal welfare and CAP reforms are further drivers of change, expected to increase pressures on farm balance sheets and training budgets.</p>
<p>Social</p> <p>The sector workforce is characterised by high levels of self-employment (49%). Seasonal working, temporary foreign migrant labour and people with second jobs are also prevalent in the sector. Volunteering is also important in environmental conservation, fisheries management and forestry industries, and there are around 10,000 unpaid family workers (3% of the workforce, national average 0.3%).</p> <p>The workforce is 99% white and with an older-than-average age profile. Skilled trades, elementary and managerial occupations are the most prevalent, reflecting the practical / vocational and entrepreneurial nature of the sector. A higher percentage of people in this sector have no formal qualifications than in other sectors, although the proportion of the workforce with intermediate and higher level skills has grown in recent years.</p>	<p>Environmental</p> <p>Agriculture, forestry and fishing has a significant impact on the physical environment, as well as on sustainability and climate change.</p> <p>Climate change presents the sector with both challenges and opportunities, and there is a growing understanding of the sector’s role beyond the provision of commodities.</p> <p>Environmental regulation plays an important role in how the sector operates (see above).</p>

Annex (iii): Sector Skills – Manufacturing

Figure 1a: Key Statistics – Manufacturing

	Sector	All inds		Sector	All inds
Enterprises 2013	3,285		Change in empl 2008-2013	-3,600	
Employment	35,200		% Change	-9%	+1%
Employment as % of all inds	6%		Forecast change in empl 2013-2022	-3,500	
			% Forecast change	-10%	+6%
% microbusinesses (0-9 empl)	77%	88%	% empl in microbusinesses (est)	17%	35%
% medium/large (50+)	6%	2%	% empl in medium/large (50+)	58%	40%
<i>Enterprises 2013 (SEMTA)</i>	1,685		<i>Change in empl 2008-2013 (SEMTA)</i>	-2,000	
<i>Employment</i>	18,100		<i>% Change</i>	-10%	
<i>Employment as % of all inds</i>	3%		<i>Forecast change in empl 2013-2022</i>	-1,500	
			<i>% Forecast change</i>	-8%	

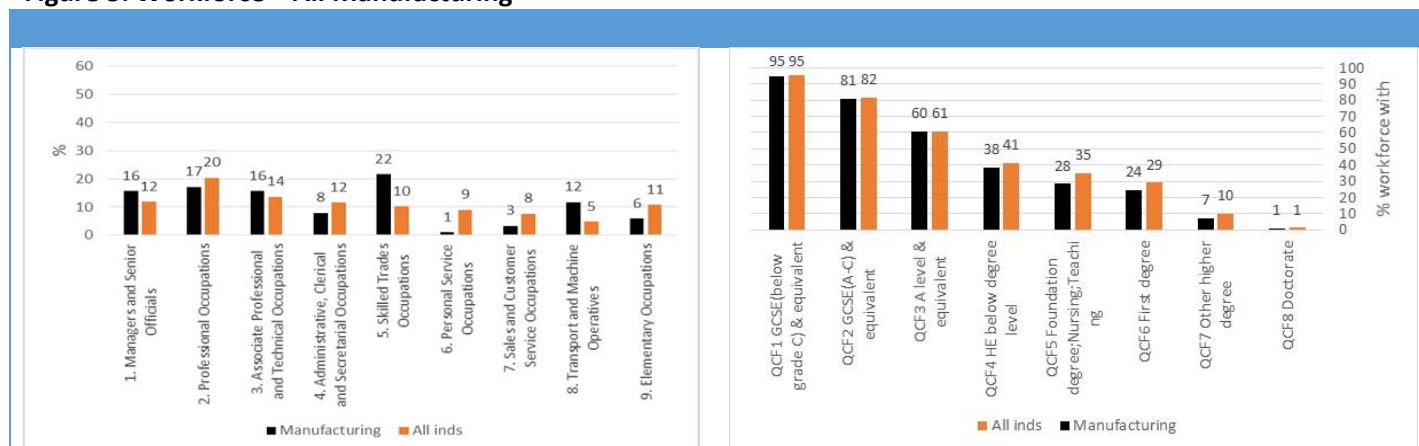
Sources: Employment stats - ONS BRES 2013. Rounded to nearest 100. Enterprise stats – ONS UK Business Counts 2014. Rounded to nearest 5. An Enterprise is the smallest combination of legal units (generally based on VAT and/or PAYE records) which has a certain degree of autonomy.

Figure 2: Local Concentrations – Manufacturing

	Ashford	Canterbury	Dartford	Dover	Gravesham	Maidstone	Sevenoaks	Shepway	Swale	Thanet	Tonbridge & Malling	Tunbridge Wells	KCC	Medway UA	Kent & Medway	SELEP
Employment LQ	1.1	0.4	0.5	1.0	0.8	0.7	0.7	0.5	1.6	0.9	0.7	0.5	0.7	1.0	0.8	0.9
Employment	4,400	1,800	2,500	2,600	1,600	3,900	2,700	1,500	6,000	3,100	3,200	1,900	28,300	6,900	35,200	104,900
Businesses	335	210	215	165	170	340	320	145	295	200	240	220	2,855	430	3,285	8,485
<i>SEMTA LQ</i>	0.7	0.4	0.5	1.3	0.5	0.5	1.2	0.5	1.4	1.0	0.5	0.4	0.6	1.1	0.7	0.9

Sources: Employment stats - ONS BRES 2013. Rounded to nearest 100. Enterprise stats – ONS UK Business Counts 2014. Rounded to nearest 5. Location Quotients (LQ) calculations based on ONS BRES 2013. Notes: Location Quotients are an Index of how much employment in a sector would be expected if the sector profile matched that of the UK. A value of 1.5 would indicate there is 50% more employment than expected.

Figure 3: Workforce – All Manufacturing



Source: UKCES Working Futures 2012-2022, IER estimates c132. Notes: Based on figures for South East England.

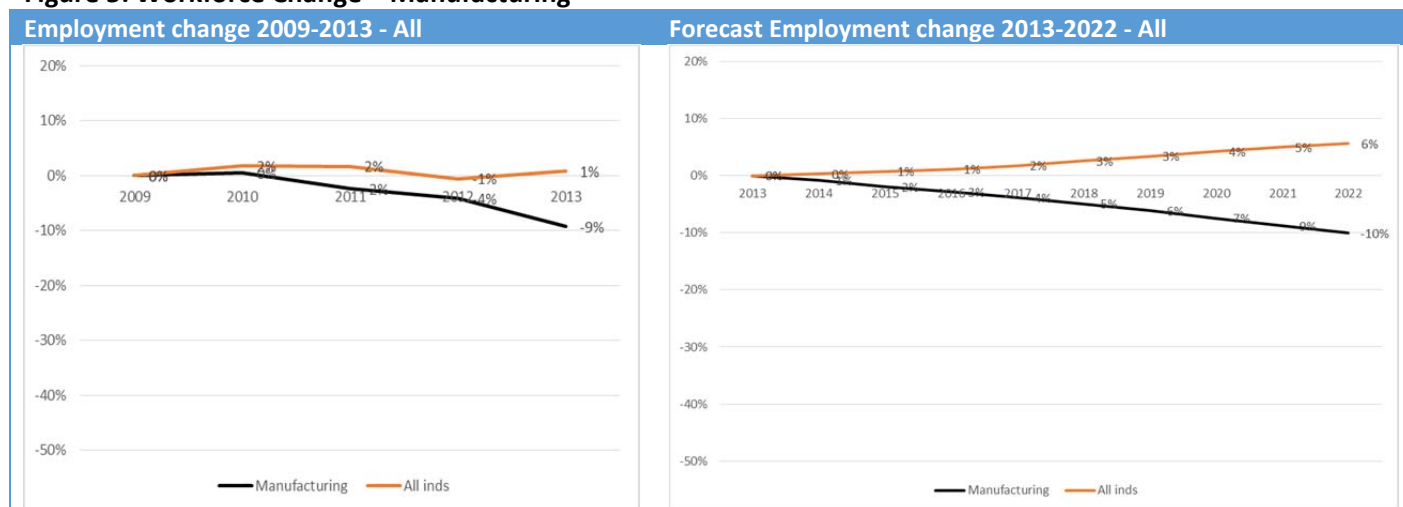
Figure 4: Workforce Detailed Occupations – All Manufacturing

Occupation	All Manufacturing		SEMTA Manufacturing	
	Sector %	Est. empl	Sector %	Est. empl
11 Corporate managers and directors	14%	5,000	15%	2,600
12 Other managers and proprietors	2%	600	1%	200
21 Science, research, engineering and technology professionals	12%	4,400	21%	3,800
22 Health professionals	1%	200	1%	100
23 Teaching and educational professionals	0%	200	2%	400
24 Business, media and public service professionals	4%	1,400	5%	800
31 Science, engineering and technology associate professionals	4%	1,300	5%	900
32 Health and social care associate professionals	0%	100	<1%	<100
33 Protective service occupations	1%	300	1%	200
34 Culture, media and sports occupations	2%	700	1%	200
35 Business and public service associate professionals	9%	3,200	9%	1,600
41 Administrative occupations	7%	2,400	6%	1,100
42 Secretarial and related occupations	1%	400	1%	200
51 Skilled agricultural and related trades	1%	200	<1%	100
52 Skilled metal, electrical and electronic trades	14%	4,900	18%	3,200
53 Skilled construction and building trades	3%	1,200	1%	300
54 Textiles, printing and other skilled trades	3%	1,100	1%	100
61 Caring personal service occupations	1%	200	1%	100
62 Leisure, travel and related personal service occupations	1%	200	1%	100
71 Sales occupations	2%	600	1%	200
72 Customer service occupations	2%	500	1%	200
81 Process, plant and machine operatives	8%	2,900	5%	800
82 Transport and mobile machine drivers and operatives	3%	1,100	2%	300
91 Elementary trades and related occupations	3%	1,000	1%	300
92 Elementary administration and service occupations	3%	900	1%	300
Total	100%		100%	

Source: UKCES Working Futures 2012-2022, IER estimates c132.

Notes: Percentage figures for South East England. Local employment estimates derived by Emergent Research & Consulting Ltd.

Figure 5: Workforce Change – Manufacturing



Source: Employment change - ONS BRES 2013. Employment Forecasts UKCES Working Futures 2012-2022, IER estimates c132

Notes: Forecasts based on figures for South East England. Historic figures % change based from 2009. Forecast % change from 2013.

Workforce Skills Evidence Base

Sector definition used in statistics (SIC Codes) – ALL MANUFACTURING

10 : Manufacture of food products	20 : Manufacture of chemicals and chemical products
11 : Manufacture of beverages	21 : Manufacture of basic pharmaceutical products and pharmaceutical preparations
12 : Manufacture of tobacco products	22 : Manufacture of rubber and plastic products
13 : Manufacture of textiles	23 : Manufacture of other non-metallic mineral products
14 : Manufacture of wearing apparel	24 : Manufacture of basic metals
15 : Manufacture of leather and related products	25 : Manufacture of fabricated metal products, except machinery and equipment
16 : Manufacture of wood and of products of wood and cork	26 : Manufacture of computer, electronic and optical products
17 : Manufacture of paper and paper products	27 : Manufacture of electrical equipment
18 : Printing and reproduction of recorded media	28 : Manufacture of machinery and equipment n.e.c.
19 : Manufacture of coke and refined petroleum products	29 : Manufacture of motor vehicles, trailers and semi-trailers
	30 : Manufacture of other transport equipment
	31 : Manufacture of furniture
	32 : Other manufacturing
	33 : Repair and installation of machinery and equipment

Sector definition used in statistics – SEMTA MANUFACTURING

24 : Manufacture of basic metals	29 : Manufacture of motor vehicles, trailers and semi-trailers
25 : Manufacture of fabricated metal products, except machinery and equipment	30 : Manufacture of other transport equipment
26 : Manufacture of computer, electronic and optical products	33 : Repair and installation of machinery and equipment
27 : Manufacture of electrical equipment	72 : Scientific research and development
28 : Manufacture of machinery and equipment n.e.c.	

Analysis of the Manufacturing Sector

1. Key Messages from the Sector Dashboard

- The main definition of manufacturing used in this analysis is wider than that of the sector skills representative body (SEMTA) in that it includes all the manufacturing codes in the Standard Industrial Classification. It does not include, however, the code for Scientific Research & Development.
- Manufacturing remains a significant employment sector in Kent & Medway accounting for 6% of employment. Just under half of this employment is within the SEMTA remit which is more focused on engineering.
- The sector is more focused on medium and large companies than many other sectors. 58% of staff are employed in companies with more than 50 employees (compared with 40% across the economy as a whole).
- The sector has quite a diverse workforce in terms of occupations, although skilled trades occupations are more numerous (accounting for 22% of the workforce). The qualification profile of the workforce is similar to that for the workforce as a whole, although workers in sectors outside the SEMTA remit are less likely to have graduate level qualifications.
- Employment in both the general manufacturing workforce and the engineering workforce declined between 2009 and 2013. Employment is also forecast to continue to decline regionally and nationally, although the decline in employment in engineering (SEMTA) related subsectors is expected to be more gradual (-8% by 2022).

2. Sector Issues highlighted in National Research

Research published by UKCES provides the most up-to-date national assessment of skills and workforce issues affecting most of the manufacturing sector as a whole.⁹ **Figure 6 (overleaf)** summarises some key points from the analysis using the “PESTLE” analytical framework, with some additional input from Emergent Research’s recent experience of the sector.

⁹ *Manufacturing Sector Skills Assessment 2012*, UKCES, November 2012.

Figure 6: Skills and Workforce “PESTLE” Analysis of the Finance & Business Services Sector

<p>Policy / Political</p> <p>Many markets for manufactured products are international and the global economic climate will continue to be a strong driver of demand for manufacturing. Government monetary policy and exchange rates will therefore have an impact on future skills needs.</p> <p>The Government has indicated a desire to rebalance the economy towards production. Specific measures to support manufacturing may therefore be expected, including a strengthened commitment to Apprenticeships which could boost the potential supply of skills .</p>	<p>Technological</p> <p>Technological change is a constant for most manufacturing subsectors in terms of both products and processes. The technical skills required are diverse and dependent on manufacturing subsector.</p> <p>The management of innovation and change will require considerable leadership skills, including the skills for introducing and managing new technologies within businesses.</p>
<p>Economic</p> <p>Competition with low cost manufacturing centres will continue to be intense but as living standards rise in those centres, labour cost differentials may start to ease slightly and bring small but important growth in the comparative competitiveness of the UK.</p> <p>Skills in international marketing are becoming more important as manufacturers try to export to countries with growing economies (e.g. the BRIC countries).</p> <p>There is likely to continue to also be good opportunities for e-business (requiring continuing availability of good IT-user and e-business skills)</p>	<p>Legal / Regulatory</p> <p>The greatest direct impact on skills requirements is the skills to monitor and manage compliance with changing legal requirements (often internationally) particularly in terms of product safety.</p> <p>Regulation of (inward) migration plays only a small role in affecting the UK’s labour/skills supply. Comparatively speaking changes to funding structures affecting flows into and out of education, training and employment may have more effect.</p> <p>In an internationally competitive environment Intellectual Property (IP) rights are becoming more important and the skills implications are a growth in the need for security-associated skills and legal skills, including legal expertise in other jurisdictions.</p>
<p>Social</p> <p>Whilst the reduction in demand for labour will ease the situation, the sector is still facing issues around an ageing workforce, particularly with regard to experienced practical staff (e.g. in skilled trades). Encouraging young people to consider a career in a ‘declining sector’ can be difficult and will require stronger efforts to make working in Manufacturing as attractive as possible to the best young talent.</p>	<p>Environmental</p> <p>The need to reduce the environmental impact of manufacturing is driving changes across the sector, particularly in subsectors with large environmental footprints. However, the growing market for technologies to support the environmental agenda is also an opportunity for the sector.</p> <p>Subsidies to low carbon products and markets can be particularly volatile and cause unhelpful ‘boom and bust’ patterns in demand for some subsectors. The rising prices of fossil fuels will nevertheless continue to drive demand for skills in working with new materials (e.g. composites) that can be used to produce lower consumption equipment and products and the need for innovative approaches and solutions (high level engineering skills).</p>

UKCES also identified the following specific skills priorities that need to be addressed for sector:

- Ensuring that employers’ product market strategies are sufficiently well developed so that they can anticipate changes in the segment of the market in which they operate. This emphasises the need to develop strategic skills in the sector but is not just the skills of the more senior managers which need addressing.

- Ensuring that the skills of new recruits and existing employees are also developed, especially since there is evidence that training levels might be relatively low training needs to be embedded within the wider set of practices associated with high performance working including work-life balance practices which might contribute to a more diverse workforce as well as a more productive one.
- That the investment in training the existing workforce alongside the adoption of high performance practices likely to make the sector more attractive to would-be recruits takes place.
- A range of specialist skills within subsectors will need to be provided over the medium-term, including those related to supply-chain management.
- The sector will increasingly compete with other sectors to recruit the people with the skills it needs. The pressing issue, therefore, is to convince people of the relative merits of choosing a career in manufacturing. Many of the UK's leading manufacturers have succeeded in achieving this. It is important the practices associated with achieving this goal are adopted more widely.

Annex (iii): Sector Skills – Construction

Figure 1: Key Statistics – Construction

	Sector	All inds		Sector	All inds
Enterprises 2013	9,335		Change in empl 2008-2013	-3,200	
Employment	35,300		% Change	-8%	+1%
Employment as % of all inds	6%		Forecast change in empl 2013-2022	+5,800	
			% Forecast change	+17%	+6%
% microbusinesses (0-9 empl)	93%	88%	% empl in microbusinesses (est)	56%	35%
% medium/large (50+)	1%	2%	% empl in medium/large (50+)	20%	40%

Sources: Employment stats - ONS BRES 2013. Rounded to nearest 100. Enterprise stats – ONS UK Business Counts 2014. Rounded to nearest 5. An Enterprise is the smallest combination of legal units (generally based on VAT and/or PAYE records) which has a certain degree of autonomy.

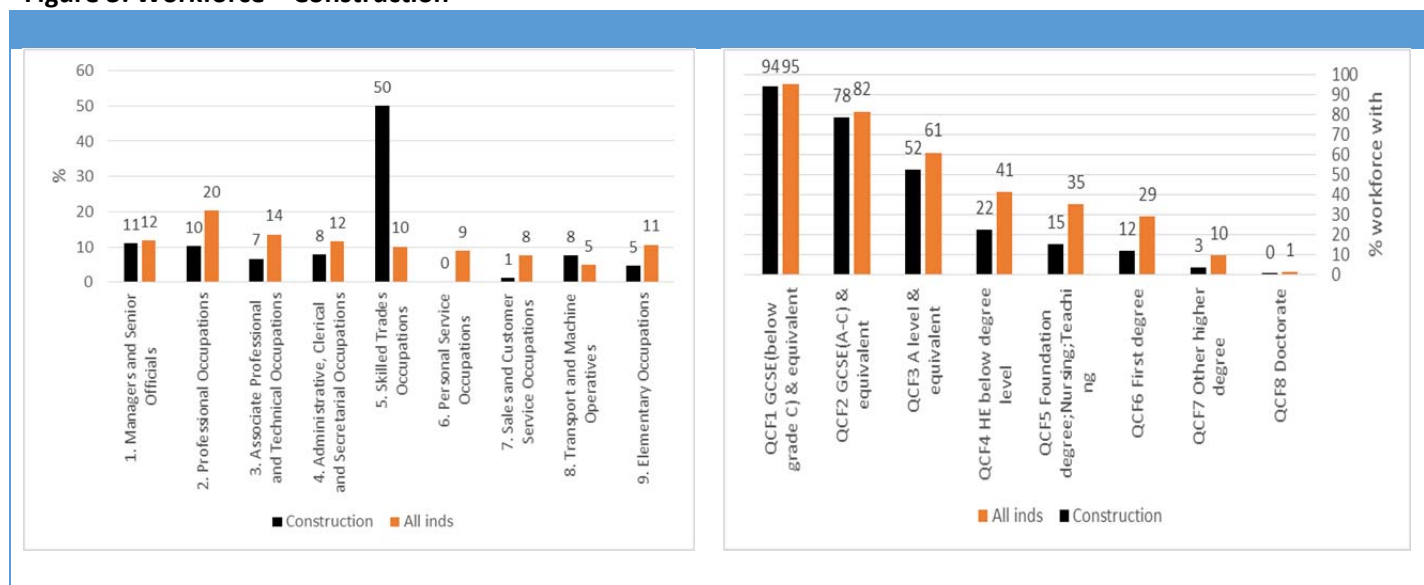
Figure 2: Local Concentrations – Construction

	Ashford	Canterbury	Dartford	Dover	Gravesham	Maidstone	Sevenoaks	Shepway	Swale	Thanet	Tonbridge & Malling	Tunbridge Wells	KCC	Medway UA	Kent & Medway	SELEP
Employment LQ	1.0	0.9	3.3	1.0	1.8	1.3	2.0	1.1	1.5	1.0	1.5	0.8	1.5	1.5	1.5	1.3
Employment	2,100	2,300	8,200	1,400	2,000	3,900	4,000	1,800	2,900	1,700	3,500	1,600	30,000	5,300	35,300	83,700
Businesses	690	635	640	430	610	1,120	860	455	745	505	735	580	8,005	1,330	9,335	23,665

Sources: Employment stats - ONS BRES 2013. Rounded to nearest 100. Enterprise stats – ONS UK Business Counts 2014. Rounded to nearest 5. Location Quotients (LQ) calculations based on ONS BRES 2013.

Notes: Location Quotients are an Index of how much employment in a sector would be expected if the sector profile matched that of the UK. A value of 1.5 would indicate there is 50% more employment than expected. A value of 0.5 would indicate that there is half the employment expected.

Figure 3: Workforce – Construction



Source: UKCES Working Futures 2012-2022, IER estimates c132

Notes: Based on figures for South East England.

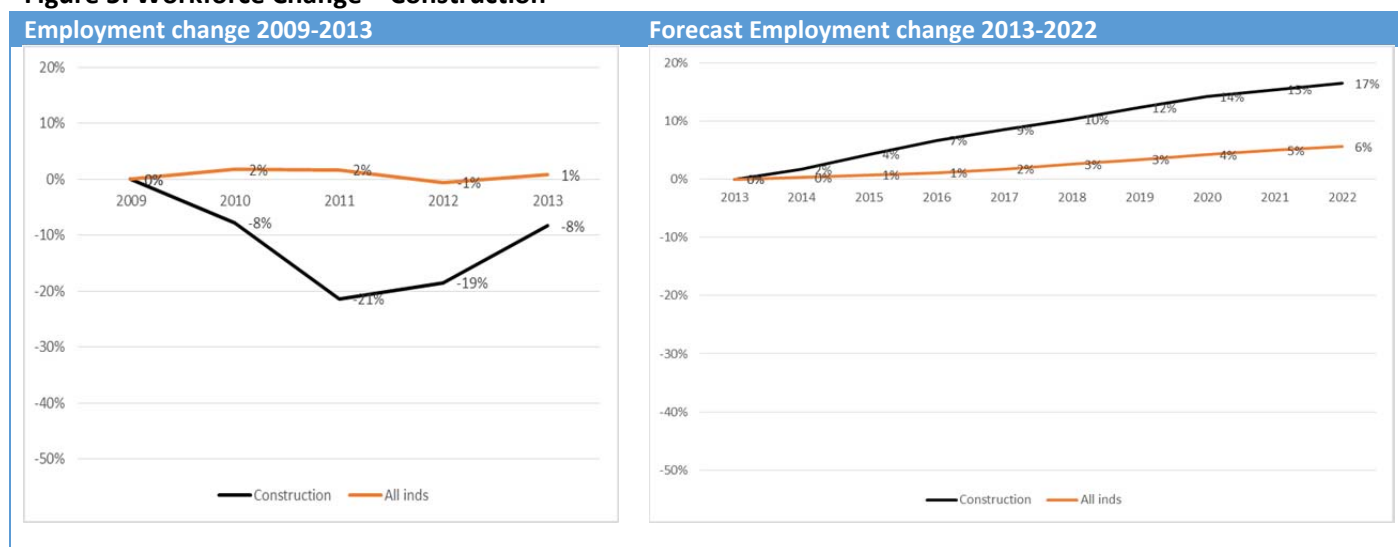
Figure 4: Workforce Detailed Occupations – Construction

Occupation	Sector %	Est. empl
11 Corporate managers and directors	10%	4,100
12 Other managers and proprietors	1%	500
21 Science, research, engineering and technology professionals	7%	2,800
22 Health professionals	0%	100
23 Teaching and educational professionals	0%	100
24 Business, media and public service professionals	3%	1,400
31 Science, engineering and technology associate professionals	2%	800
32 Health and social care associate professionals	0%	0
33 Protective service occupations	0%	100
34 Culture, media and sports occupations	0%	100
35 Business and public service associate professionals	4%	1,800
41 Administrative occupations	5%	2,200
42 Secretarial and related occupations	2%	1,000
51 Skilled agricultural and related trades	0%	100
52 Skilled metal, electrical and electronic trades	12%	5,000
53 Skilled construction and building trades	36%	14,600
54 Textiles, printing and other skilled trades	1%	300
61 Caring personal service occupations	0%	0
62 Leisure, travel and related personal service occupations	0%	100
71 Sales occupations	0%	200
72 Customer service occupations	1%	400
81 Process, plant and machine operatives	5%	1,900
82 Transport and mobile machine drivers and operatives	3%	1,200
91 Elementary trades and related occupations	3%	1,000
92 Elementary administration and service occupations	2%	800
Total	100%	

Source: UKCES Working Futures 2012-2022, IER estimates c132.

Notes: Percentage figures for South East England. Local estimates derived by Emergent Research & Consulting Ltd.

Figure 5: Workforce Change – Construction



Source: Employment change - ONS BRES 2013. Employment Forecasts UKCES Working Futures 2012-2022, IER estimates c132

Notes: Forecasts based on figures for South East England. Historic figures % change based from 2009. Forecast % change from 2013.

Sector definition used in statistics

SIC 41 : Construction of buildings

SIC 42 : Civil engineering

SIC 43 : Specialised construction activities

Analysis of the Construction Sector

1. Key Messages from the Sector Dashboard

- The sector is especially dominated by micro-businesses (with up to 9 employees) when compared with the business population as a whole, and, although employment in the sector fell by 3,200 between 2008 and 2013, it is expected to grow by nearly 6,000 jobs in the coming years.
- The northern parts of Kent and Medway have the highest concentrations of employment in the sector, perhaps reflecting their proximity to the London market. Employment is especially concentrated in Dartford, which accounts for 23% of sector employment in Kent and Medway.
- As regards workforce characteristics, the stand-out feature is the dominance of skilled trades occupations. These account for 50% of the construction sector workforce, but only 10% of the workforce for all sectors. The sector workforce skills profile shows that people employed in the sector are generally less well qualified than the overall workforce in terms of qualification levels. This is especially the case for Higher Level qualifications (QCF Level 4+).
- The construction workforce is more volatile than that of the economy as a whole: more jobs are lost in times of recession, but more jobs are added when growth returns. This means that the economic recovery is likely to especially ramp up demand for construction workers, with the workforce forecast to grow by 17% from 2013 to 2022 (for the workforce as a whole the figure is only 6%).

2. Sector Issues Identified in National Research

Research by the UK Commission for Employment and Skills (UKCES)¹⁰ provides a relatively recent national assessment of skills and workforce issues affecting the sector. **Figure 6 (overleaf)** summarises some key points from the analysis using the “PESTLE” analytical framework, with some additional input from Emergent Research’s recent experience of the sector.

The UKCES *Sector Skills Assessment* also identified the following specific skills priorities that need to be addressed:

- New skills to meet the high specification and low energy requirements of future buildings and infrastructure (BIM and offsite manufacturing).
- Changes in management and professional skills, with increasing demand for higher level skills. Required to operate a business profitably in a very competitive environment, make the best use of the skills of the current workforce, and to handle new management requirements like carbon accounting.
- A need for site supervisors and site labour to have an understanding of modern terminology, the ability to read, understand and follow instructions on new materials and components.
- For professional services, in addition to understanding how new components will operate over the lifetime of a building, off-site manufacture of components will require increased need for CAD / CAM trained building technicians to work on off-site design and application in factory conditions.
- Increased multi-skilling, given that new ways of working will not always require new skills or create new jobs, but will often be in addition to or an amalgam of existing workers’ skill sets.

¹⁰ *Construction, Building Services Engineering and Planning Sector Skills Assessment 2012*, Breuer, Z, UKCES, October 2012.

Figure 6: Skills and Workforce “PESTLE” Analysis of the Construction Sector

<p>Policy / Political</p> <p>Construction has significant potential for wealth creation and employment creation in future, has a substantial supply chain and is essential in underpinning and enabling growth in other sectors.</p> <p>There is evidence that skills can play an important role in enabling innovation and improved performance in the sector. A strong recovery could lead to increased employment demand, which could impact on vacancies, wages and migration.</p>	<p>Technological</p> <p>New skills will be needed to meet the high specification and low energy requirements of future buildings and infrastructure.</p> <p>The introduction of Building Information Model and Management (BIM) and the increased growth of offsite manufacturing will play a pivotal role.</p>
<p>Economic</p> <p>The sector is the 7th largest out of 15 broad sectors of the UK economy. The recent recession had a significant impact on the sector: a combination of weak demand, rising costs and falling tender prices made for difficult trading conditions and resulted in high levels redundancy and business failure. There are now signs that the sector is recovering and that there is an increasing likelihood of skills shortages. Growing competitive pressures will place a premium on the skills of managers to run businesses profitably.</p>	<p>Legal / Regulatory</p> <p>Regulation and building standards play a key role in defining sector skills requirements, and is often a key driver of standards set in project procurement and operating requirements, in turn reflected in the skills and certification requirements placed on staff.</p> <p>Environmental regulation is expected to grow in importance in coming years. The Climate Change Act (2008) targets a 20% fall in carbon emissions by 2020 and 80% by 2050. The built environment is one of the largest contributors to greenhouse emissions and therefore will have a major role to play in addressing this challenge, by changing its systems and processes, and the skills that support them.</p>
<p>Social</p> <p>The sector makes a significant contribution to health and social wellbeing, given that the nature of the built environment and the process of construction affects both the natural and social environment, and creates opportunities for training and skills acquisition, which underpin social mobility.</p> <p>The sector workforce is characterised by a relatively low incidence of higher-level qualifications across the workforce, and there are skills deficiencies and productivity levels that lag behind some areas of the economy.</p>	<p>Environmental</p> <p>Low carbon working (encompassing the design, construction and operation of buildings) will not only result in a more sustainable sector, but also impact positively on productivity, and also necessitate the acquisition of new skills.</p> <p>In 2011, a RICS report placed the UK in the top three countries in the world in terms of working outwards zero carbon in the built environment. Further investment in skills will be needed to improve or maintain this position, and deliver very challenging targets on carbon reduction.</p>

Annex (iii): Sector Skills – Retail

Figure 1: Key Statistics – Retail Sector

	Sector	All inds		Sector	All inds
Enterprises 2013	4,695		Change in empl 2008-2013	+3,300	
Employment	71,800		% Change	+5%	+1%
Employment as % of all inds	13%		Forecast change in empl 2013-2022	1,800	
			% Forecast change	+3%	+6%
% microbusinesses (0-9 empl)	91%	88%	% empl in microbusinesses (est)	46%	35%
% medium/large (50+)	1%	2%	% empl in medium/large (50+)	26%	40%

Sources: Employment stats - ONS BRES 2013. Rounded to nearest 100. Enterprise stats – ONS UK Business Counts 2014. Rounded to nearest 5. An Enterprise is the smallest combination of legal units (generally based on VAT and/or PAYE records) which has a certain degree of autonomy.

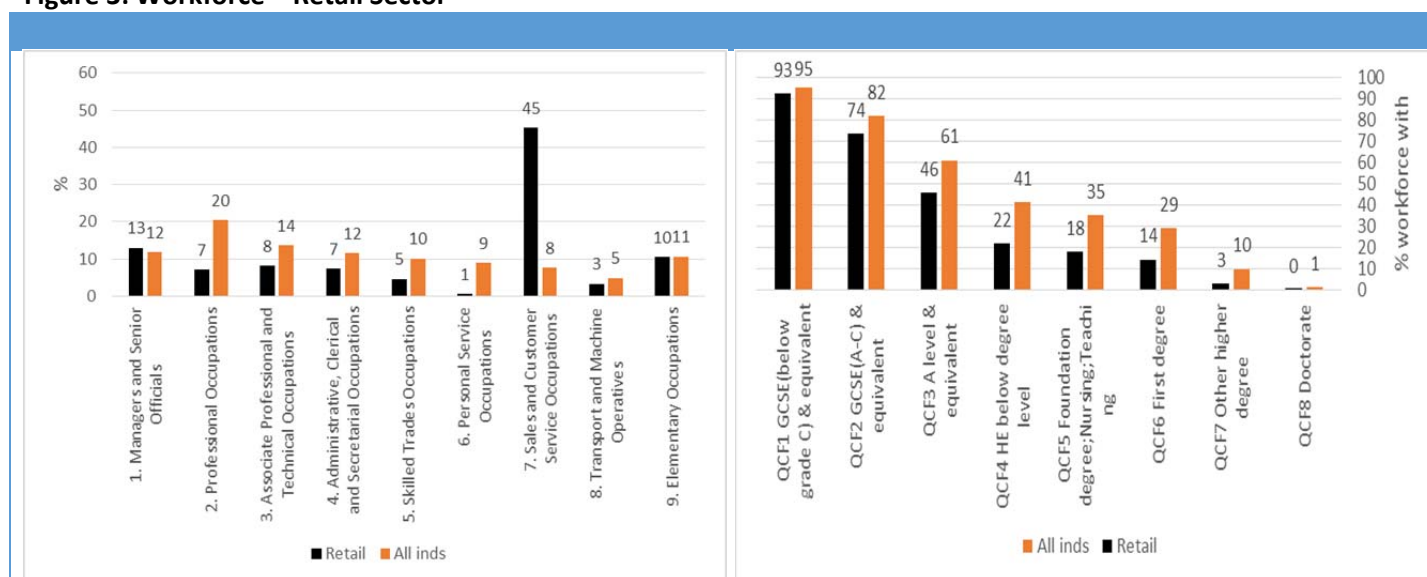
Figure 2: Local Concentrations – Retail Sector

	Ashford	Canterbury	Dartford	Dover	Gravesham	Maidstone	Sevenoaks	Shepway	Swale	Thanet	Tonbridge & Malling	Tunbridge Wells	KCC	Medway UA	Kent & Medway	SELEP
Employment LQ	1.2	1.3	1.8	1.0	1.4	1.0	1.0	1.2	1.1	1.5	1.3	1.5	1.3	1.2	1.3	1.2
Employment	6,200	8,000	10,300	3,200	3,700	6,600	4,600	4,100	4,900	6,000	7,400	6,800	62,100	9,700	71,800	181,700
Businesses	345	455	255	280	255	415	370	295	320	350	285	465	4,085	610	4,695	11,525

Sources: Employment stats - ONS BRES 2013. Rounded to nearest 100. Enterprise stats – ONS UK Business Counts 2014. Rounded to nearest 5. Location Quotients (LQ) calculations based on ONS BRES 2013.

Notes: Location Quotients are an Index of how much employment in a sector would be expected if the sector profile matched that of the UK. A value of 1.5 would indicate there is 50% more employment than expected. A value of 0.5 would indicate that there is half the employment expected.

Figure 3: Workforce – Retail Sector



Source: UKCES Working Futures 2012-2022, IER estimates c132

Notes: Based on figures for South East England.

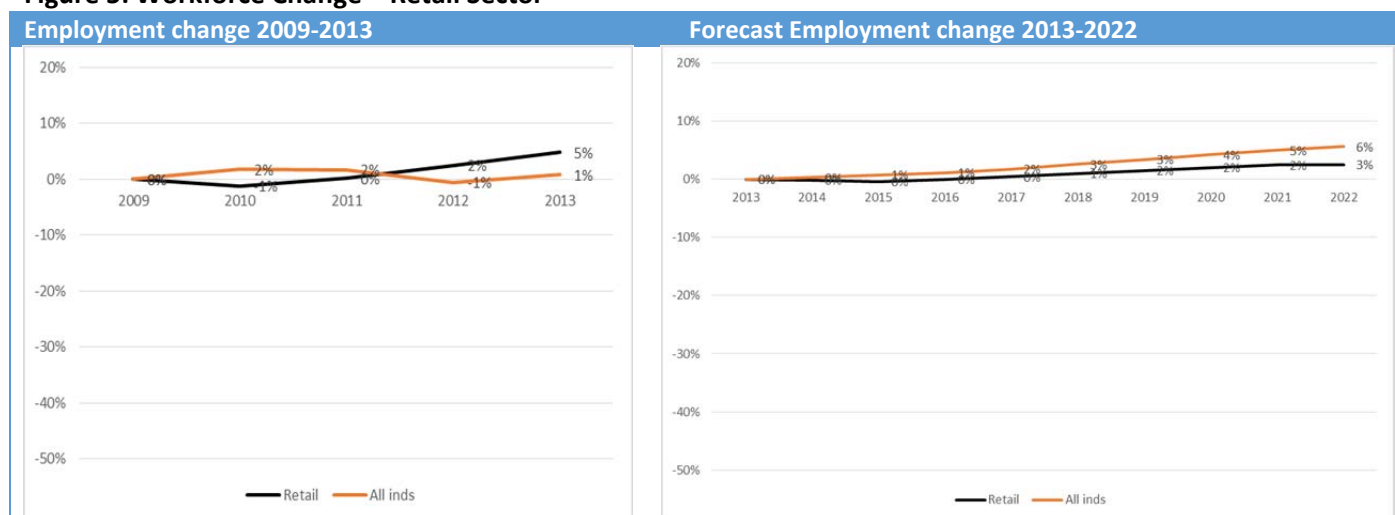
Figure 4: Workforce Detailed Occupations – Retail Sector

Occupation	Sector %	Est. empl
11 Corporate managers and directors	10%	7,800
12 Other managers and proprietors	4%	3,200
21 Science, research, engineering and technology professionals	2%	2,000
22 Health professionals	3%	2,200
23 Teaching and educational professionals	0%	100
24 Business, media and public service professionals	2%	1,900
31 Science, engineering and technology associate professionals	0%	300
32 Health and social care associate professionals	0%	300
33 Protective service occupations	1%	600
34 Culture, media and sports occupations	0%	400
35 Business and public service associate professionals	7%	5,400
41 Administrative occupations	6%	5,300
42 Secretarial and related occupations	1%	800
51 Skilled agricultural and related trades	0%	200
52 Skilled metal, electrical and electronic trades	1%	1,200
53 Skilled construction and building trades	1%	400
54 Textiles, printing and other skilled trades	2%	1,800
61 Caring personal service occupations	0%	100
62 Leisure, travel and related personal service occupations	0%	400
71 Sales occupations	40%	32,900
72 Customer service occupations	4%	3,200
81 Process, plant and machine operatives	1%	500
82 Transport and mobile machine drivers and operatives	3%	2,200
91 Elementary trades and related occupations	1%	1,000
92 Elementary administration and service occupations	9%	7,400
Total	100%	

Source: UKCES Working Futures 2012-2022, IER estimates c132.

Notes: Percentage figures for South East England. Local employment estimates derived by Emergent Research & Consulting Ltd.

Figure 5: Workforce Change – Retail Sector



Source: Employment change - ONS BRES 2013. Employment Forecasts UKCES Working Futures 2012-2022, IER estimates c132

Notes: Forecasts based on figures for South East England. Historic figures % change based from 2009. Forecast % change from 2013.

Sector definition used in statistics

SIC 47 : Retail trade, except of motor vehicles and motorcycles

Analysis of the Retail Sector

1. Key Messages from the Sector Dashboard

- The retail sector is a significant employment sector in Kent & Medway accounting for 13% of the area's workforce and is well represented across the area as a whole. Many Districts have higher than national proportions of employment in the sector and there is a particularly large concentration of retail employment in Dartford in particular (which includes the Bluewater development).
- Although some retail employers are very large, microbusinesses with fewer than 10 staff employ a larger proportion of the workforce than they do across the economy as a whole (46% compared with 35%).
- Nearly half (45%) of all employment in the sector is focused in sales and customer services occupations. The qualification profile of the workforce is comparatively focused on lower level qualifications. Only 46% of the workforce have a level 3 qualification (compared with 61% of all workers).
- Employment in the sector within Kent & Medway grew by 5% between 2009 and 2013 but the sector is not expected to grow as fast as overall employment over the next 5-7 years. Nevertheless, the size of the sector means that modest growth (3%) could translate to an additional requirement of 2-3,000 staff by 2022.

2. Sector Issues highlighted in National Research

Research published by UKCES provides the most up-to-date national assessment of skills and workforce issues affecting most of the retail sector as a whole.¹¹ **Figure 6 (overleaf)** summarises some key points from the analysis using the "PESTLE" analytical framework, with some additional input from Emergent Research's recent experience of the sector.

The report concludes that the sector needs to address to the following priority areas in order to manage and make the most of the change and challenges it faces:

- Attracting new entrants with the right skills, whilst this is partly about improving customer service skills in applicants it is also about improving the image of the sector as a career opportunity amongst prospective employees
- Developing and retaining the workforce, including the interpersonal and IT skills of customer services staff but also the leadership and management skills of retail managers.
- Appropriate customer service skills in the sector are required to ensure customer loyalty and attract new customers
- Technological advances assisting the sector and requiring new/additional skill sets for employees

¹¹ *Wholesale and Retail: Sector Skills Assessment 2012*, UKCES, November 2012.

Figure 6: Skills and Workforce “PESTLE” Analysis of the Arts & Retail Sector

<p>Policy / Political</p> <p>Public policy is not a strong driver of change in the sector, although planning policy has both supported and limited the development of edge of town retail developments.</p> <p>More generally, measures to make loans more available to SMEs can positively impact on small independent retailers and education and training policy will impact the sector in terms of skill demand and supply.</p>	<p>Technological</p> <p>Technological change remains at the forefront of the sector’s ability to become as efficient, effective and economic as possible to maximise profit margin and customer experience. The transformation of how and where business occurs is part and parcel of being able to make the most of the increasingly global marketplace. The type, level and mix of skills required by multi-channel retailing presents a challenge to the sector.</p> <p>Online technical skills are also increasingly important for small retailers who often maintain their own web presence initially, yet may struggle to achieve the potential of online trading.</p>
<p>Economic</p> <p>The globalisation of the sector means that the UK wholesale and retail sector has to be seen as a part of the world economy as a major purchaser and consumer of goods and services. The global marketplace has many implications for the sector including increased competition at home, the challenge of doing business across countries and channels of retailing, and the challenge of managing a workforce which spans nations.</p>	<p>Legal / Regulatory</p> <p>The main regulatory driving force within the retail sector are principally around food health and hygiene, which has been for some time one of the main training activities undertaken by retailers.</p> <p>For retailers with transport arms, regulations covering the transport sector such as Driver Certificate of Professional Competence (CPC) and Operators Licences are also important.</p>
<p>Social</p> <p>The changing UK demography (reducing numbers of under 25s and an ageing population) may mean that the sector has to be creative in maintaining or changing its current sector employment profile.</p> <p>Whilst there has been a move to employ older workers, currently over 30% of the workforce is under the age of 25 and the sector faces increasing competition to retain young staff or attract them to the sector in the first place. Helping older workers to keep pace with new technologies and ways of working may also be part of the solution.</p> <p>On the other side of the coin there are expected to be changes in the needs and expectations of a wide-ranging customer base that provide market opportunities for new firms, including through online retailing.</p>	<p>Environmental</p> <p>Many major retailers are significant consumers of energy and are participants in the mandatory CRC Energy Efficiency scheme. Reducing carbon emissions can be achieved through focusing on energy consumption in warehouses, transportation, packaging and recycling and the control of lighting and refrigeration.</p> <p>Achieving energy reductions requires appropriate training to be incorporated into staff training at all levels.</p>

Annex (iii): Sector Skills – Transport & Logistics

Figure 1: Key Statistics – Logistics

	Sector	All inds		Sector	All inds
Enterprises 2013	2,040		Change in empl 2008-2013	-1,500	
Employment	27,500		% Change	-5%	+1%
Employment as % of all inds	5%		Forecast change in empl 2013-2022	+2,700	
			% Forecast change	+10%	+6%
% microbusinesses (0-9 empl)	87%	88%	% empl in microbusinesses (est)	32%	35%
% medium/large (50+)	2%	2%	% empl in medium/large (50+)	44%	40%

Sources: Employment stats - ONS BRES 2013. Rounded to nearest 100. Enterprise stats – ONS UK Business Counts 2014. Rounded to nearest 5. An Enterprise is the smallest combination of legal units (generally based on VAT and/or PAYE records) which has a certain degree of autonomy.

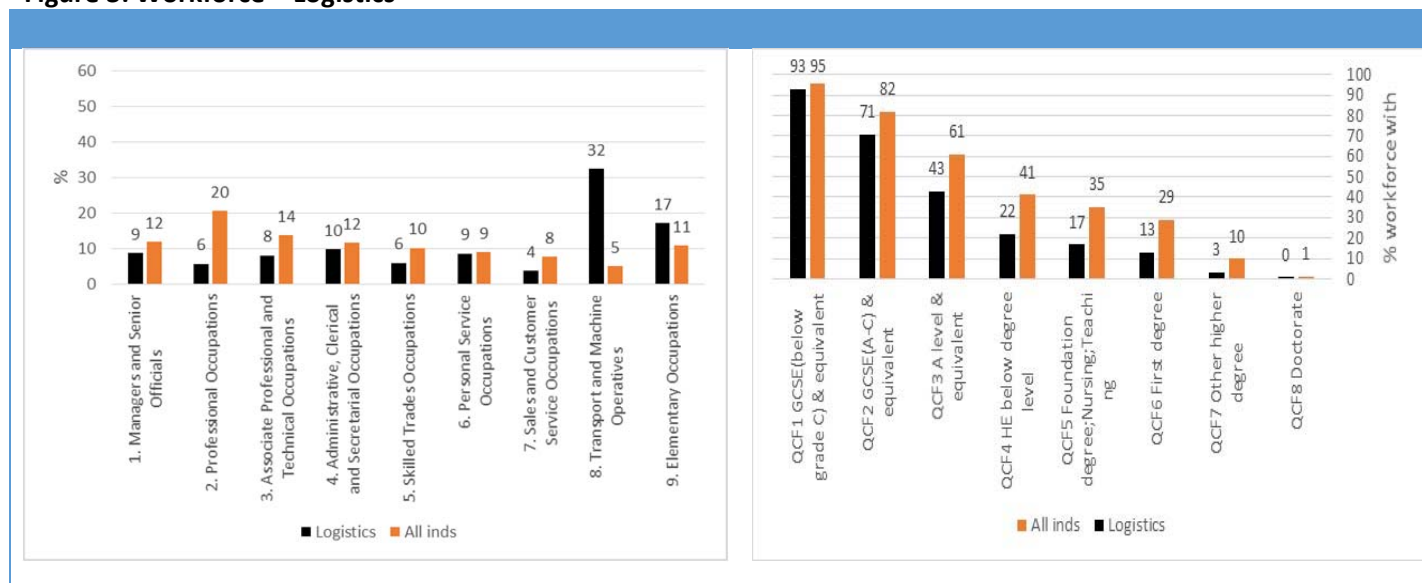
Figure 2: Local Concentrations – Logistics

	Ashford	Canterbury	Dartford	Dover	Gravesham	Maidstone	Sevenoaks	Shepway	Swale	Thanet	Tonbridge & Malling	Tunbridge Wells	KCC	Medway UA	Kent & Medway	SELEP
Employment LQ	1.0	0.4	1.7	2.3	1.5	0.8	0.4	1.4	2.1	1.0	1.5	0.4	1.1	1.2	1.1	1.1
Employment	2,200	1,100	4,300	3,200	1,700	2,300	800	2,100	4,000	1,700	3,500	800	23,200	4,400	27,500	71,800
Businesses	145	110	170	150	155	215	150	110	185	95	160	85	1,730	310	2,040	5,135

Sources: Employment stats - ONS BRES 2013. Rounded to nearest 100. Enterprise stats – ONS UK Business Counts 2014. Rounded to nearest 5. Location Quotients (LQ) calculations based on ONS BRES 2013.

Notes: Location Quotients are an Index of how much employment in a sector would be expected if the sector profile matched that of the UK. A value of 1.5 would indicate there is 50% more employment than expected. A value of 0.5 would indicate that there is half the employment expected.

Figure 3: Workforce – Logistics



Source: UKCES Working Futures 2012-2022, IER estimates c132

Notes: Based on figures for South East England.

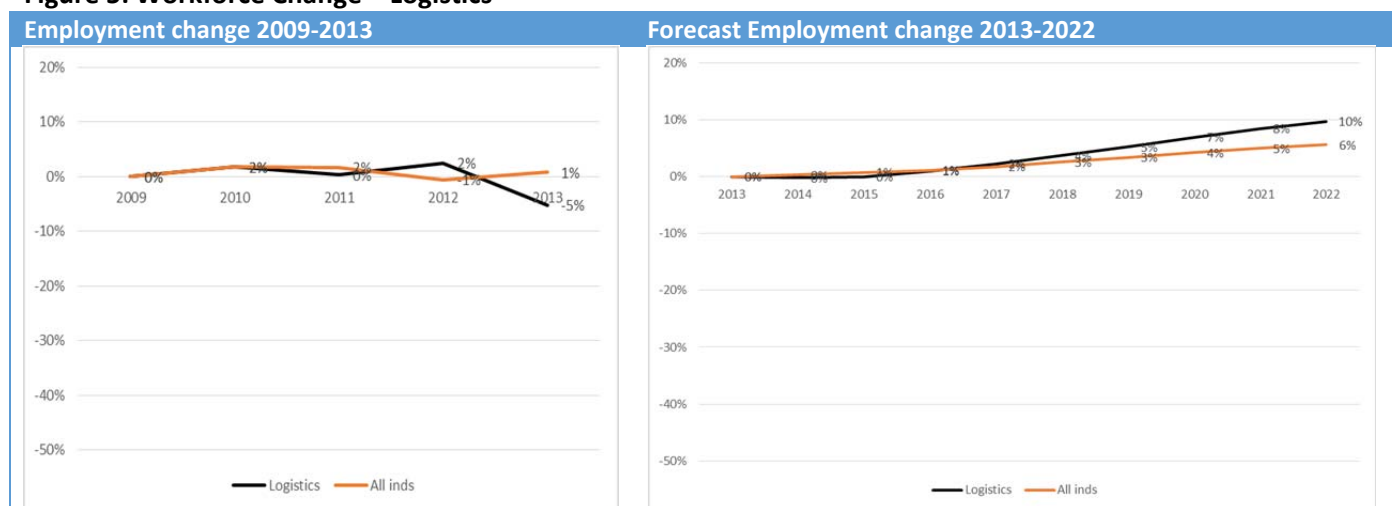
Figure 4: Workforce Detailed Occupations – Logistics

Occupation	Sector %	Est. empl
11 Corporate managers and directors	7%	2,000
12 Other managers and proprietors	2%	500
21 Science, research, engineering and technology professionals	3%	900
22 Health professionals	0%	100
23 Teaching and educational professionals	0%	100
24 Business, media and public service professionals	2%	600
31 Science, engineering and technology associate professionals	1%	200
32 Health and social care associate professionals	<1%	<100
33 Protective service occupations	1%	200
34 Culture, media and sports occupations	0%	100
35 Business and public service associate professionals	6%	1,700
41 Administrative occupations	9%	2,400
42 Secretarial and related occupations	1%	300
51 Skilled agricultural and related trades	<1%	<100
52 Skilled metal, electrical and electronic trades	4%	1,100
53 Skilled construction and building trades	1%	400
54 Textiles, printing and other skilled trades	1%	100
61 Caring personal service occupations	1%	300
62 Leisure, travel and related personal service occupations	8%	2,100
71 Sales occupations	1%	400
72 Customer service occupations	2%	700
81 Process, plant and machine operatives	2%	500
82 Transport and mobile machine drivers and operatives	30%	8,400
91 Elementary trades and related occupations	5%	1,400
92 Elementary administration and service occupations	12%	3,200
Total	100%	

Source: UKCES Working Futures 2012-2022, IER estimates c132.

Notes: Percentage figures for South East England. Local employment estimates derived by Emergent Research & Consulting Ltd.

Figure 5: Workforce Change – Logistics



Source: Employment change - ONS BRES 2013. Employment Forecasts UKCES Working Futures 2012-2022, IER estimates c132

Notes: Forecasts based on figures for South East England. Historic figures % change based from 2009. Forecast % change from 2013.

Sector definition used in statistics (SIC codes)

- SIC 49 : Land transport and transport via pipelines
- SIC 50 : Water transport
- SIC 51 : Air transport
- SIC 52 : Warehousing and support activities for transportation
- SIC 53 : Postal and courier activities

Analysis of the Logistics Sector

1. Key Messages from the Sector Dashboard

- Logistics is a significant employment sector in Kent & Medway accounting for 5% of the workforce (1 in 20 workers). Employment in the sector is particularly concentrated in areas well served by motorways near London and the port towns. There are higher than average employment concentrations in Dartford, Gravesham and Tonbridge & Malling and in Dover, Shepway and Swale.
- Although the majority of logistics businesses are microbusinesses employing fewer than 10 staff, employment is slightly more likely to be concentrated in medium and large businesses (44% in businesses with 50+ staff) than the average for all industries.
- Around a third of the workforce are transport and mobile machine operatives (drivers) and the qualification profile of the sector is more focused on low level qualifications than the all industry average. Some 57% of logistics workers do not have a level 3 qualification (compared with 39% across all industries).
- Employment trends in the period between 2009 and 2013 were somewhat erratic but the sector is forecast to grow regionally in terms of employment at a faster rate than the economy overall. This could translate into a need for an additional 2-3,000 workers in the sector in Kent & Medway by 2022.

2. Issues identified in National Research

Research by the UK Commission for Employment and Skills (UKCES)¹² provides the most up-to-date national assessment of skills and workforce issues affecting the sector. **Figure 6 (overleaf)** summarises some key points from the analysis using the “PESTLE” analytical framework, with some additional input from Emergent Research’s recent experience of the sector.

UKCES also identified the following specific skills priorities that need to be addressed for sector:

- Attract new recruits
- Promote clearer development pathways
- Professionalise the workforce and increase businesses’ investment in skills development.

Additionally, in the case of passenger transport, improving the customer service experience is considered to be crucial.

¹²Transportation and Storage Sector Skills Assessment 2012, UKCES, October 2012.

Figure 6: Skills and Workforce “PESTLE” Analysis of the Logistics Sector

<p>Policy / Political</p> <p>The sector is seen as a key enabler of economic prosperity, and also has a key role to play in other policy areas, including the environment and public services. Legal / regulatory and environmental drivers reflect this issue.</p>	<p>Technological</p> <p>Advances in technology are expected to make the sector ever more efficient, and the desire to improve competitiveness and meet evolving customer requirements means that more employers will continue to look towards technologies to improve their operations. These include vehicle development changes, e-services and ICT technologies, all of which will have an impact on the skills needs of users.</p>
<p>Economic</p> <p>The transportation and storage sector is the sixth most important by size and GVA per employee job at £50,000 is above the UK average of £46,000. The South East (along with London and the North West) has one of the highest concentrations of employment.</p>	<p>Legal / Regulatory</p> <p>EU and UK directives and regulations affect many areas of the transport sector, with compliance training being a significant motivation for training spend. The Driver Certificate of Professional Competence (CPC) is one of the latest directives to have a massive impact on the training and development of professional LGV and Passenger Carrying Vehicle (PCV) drivers, and the supply of training. Over 400,000 professional drivers need to complete 35 hours of periodic training every five years.</p>
<p>Social</p> <p>Employment roles are concentrated in the lower occupational groups of machine operatives and elementary workers (60%) and four of the top six job roles are driving occupations. The workforce is 80% male (54% across the economy) and old relative to all sectors. Its qualifications profile is relatively low, with 37% not qualified to Level 2 and only 16% having Level 4 or higher (compared with 23% and 37% across the economy as a whole).</p> <p>The ageing population and workforce impacts both the supply and demand for skills, and suggests a growing trend for older workers to need to update skills relating to new technologies and ways of working. At the same time, attracting younger workers could become more of a challenge, while from a customer perspective, an ageing population will have different customer service requirements.</p>	<p>Environmental</p> <p>The continuing need to reduce CO2 emissions, to diversify energy sources and to build a lower carbon, greener economy will see the transportation and storage sector implement new ways of working – either through new technologies and/or behavioural changes like eco-driving, vehicle utilisation and modal shift.</p> <p>The sector will need to be able to deal with the implications of extreme weather and plan for alternatives in emergencies.</p>

Annex (iii): Sector Skills – Tourism & Hospitality

Figure 1: Key Statistics – Tourism & Hospitality

	Sector	All inds		Sector	All inds
Enterprises 2013	3,680		Change in empl 2008-2013	+4,600	
Employment	42,300		% Change	+12%	+1%
Employment as % of all inds	8%		Forecast change in empl 2013-2022	5,300	
			% Forecast change	+12%	+6%
% microbusinesses (0-9 empl)	77%	88%	% empl in microbusinesses (est)	24%	35%
% medium/large (50+)	2%	2%	% empl in medium/large (50+)	34%	40%

Sources: Employment stats - ONS BRES 2013. Rounded to nearest 100. Enterprise stats – ONS UK Business Counts 2014. Rounded to nearest 5. An Enterprise is the smallest combination of legal units (generally based on VAT and/or PAYE records) which has a certain degree of autonomy.

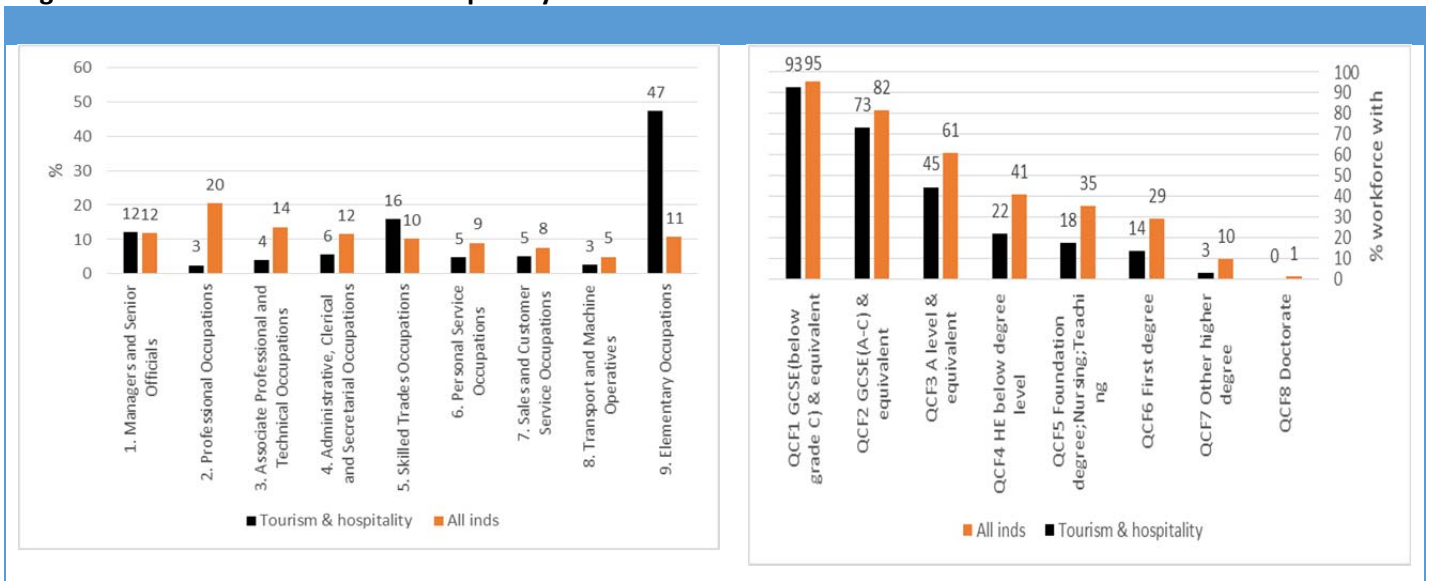
Figure 2: Local Concentrations – Tourism & Hospitality

	Ashford	Canterbury	Dartford	Dover	Gravesham	Maidstone	Sevenoaks	Shepway	Swale	Thanet	Tonbridge & Malling	Tunbridge Wells	KCC	Medway UA	Kent & Medway	SELEP
Employment LQ	1.0	1.2	0.8	1.2	1.1	1.0	0.9	1.5	0.9	1.2	0.8	1.1	1.1	0.9	1.0	1.0
Employment	3,600	5,400	3,300	2,800	2,000	5,100	3,000	3,900	2,900	3,400	3,300	3,700	37,000	5,300	42,300	109,100
Businesses	245	370	155	275	195	300	260	300	300	305	230	305	3,245	430	3,680	8,275

Sources: Employment stats - ONS BRES 2013. Rounded to nearest 100. Enterprise stats – ONS UK Business Counts 2014. Rounded to nearest 5. Location Quotients (LQ) calculations based on ONS BRES 2013.

Notes: Location Quotients are an Index of how much employment in a sector would be expected if the sector profile matched that of the UK. A value of 1.5 would indicate there is 50% more employment than expected. A value of 0.5 would indicate that there is half the employment expected.

Figure 3: Workforce – Tourism & Hospitality



Source: UKCES Working Futures 2012-2022, IER estimates c132

Notes: Based on figures for South East England.

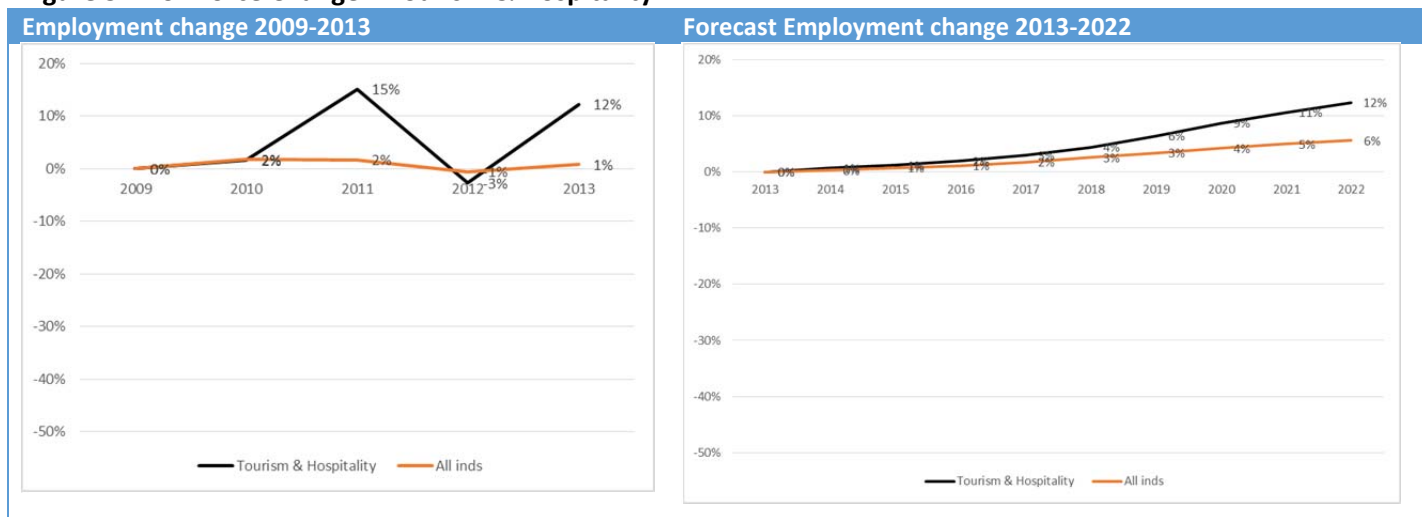
Figure 4: Workforce Detailed Occupations – Tourism & Hospitality

Occupation	Sector %	Est. empl
11 Corporate managers and directors	2%	900
12 Other managers and proprietors	10%	4,300
21 Science, research, engineering and technology professionals	1%	300
22 Health professionals	<1%	100
23 Teaching and educational professionals	1%	200
24 Business, media and public service professionals	1%	500
31 Science, engineering and technology associate professionals	<1%	100
32 Health and social care associate professionals	<1%	<100
33 Protective service occupations	1%	200
34 Culture, media and sports occupations	0%	100
35 Business and public service associate professionals	3%	1,400
41 Administrative occupations	3%	1,300
42 Secretarial and related occupations	3%	1,100
51 Skilled agricultural and related trades	<1%	100
52 Skilled metal, electrical and electronic trades	<1%	100
53 Skilled construction and building trades	<1%	100
54 Textiles, printing and other skilled trades	14%	6,100
61 Caring personal service occupations	1%	300
62 Leisure, travel and related personal service occupations	4%	1,800
71 Sales occupations	4%	1,700
72 Customer service occupations	1%	500
81 Process, plant and machine operatives	1%	300
82 Transport and mobile machine drivers and operatives	2%	800
91 Elementary trades and related occupations	1%	400
92 Elementary administration and service occupations	46%	19,400
Total	100%	

Source: UKCES Working Futures 2012-2022, IER estimates c132.

Notes: Percentage figures for South East England. Local employment estimates derived by Emergent Research & Consulting Ltd.

Figure 5: Workforce Change – Tourism & Hospitality



Source: Employment change - ONS BRES 2013. Employment Forecasts UKCES Working Futures 2012-2022, IER estimates c132

Notes: Forecasts based on figures for South East England. Historic figures % change based from 2009. Forecast % change from 2013.

Sector definition used in statistics (SIC codes)

- 55 : Accommodation
- 56 : Food and beverage service activities
- 79 : Travel agency, tour operator and other reservation service and related activities

Analysis of the Tourism & Hospitality Sector

1. Key Messages from the Sector Dashboard

- Tourism & hospitality is a significant employment sector in Kent & Medway accounting for around 8% of the workforce. The sector has a higher proportion of small businesses with 10-49 staff than most other sectors accounting for 42% of employment (compared with 25% across the economy as a whole).
- The sector has relatively high concentrations of employment in Canterbury, Dover, Shepway and Thanet.
- Nearly half (47%) of the workforce in tourism & hospitality are in elementary service occupations and the qualification profile of the workforce is significantly lower than the average for all industries with 55% of workers qualified to Level 2 or below.
- Employment over the period 2009-2013 fluctuated quite significantly year on year, although was recorded to be 12% greater in 2013 than in 2009. Employment in the sector is forecast regionally to grow at twice the rate of the overall economy which could mean demand for an extra 5-6,000 workers in Kent & Medway by 2022.

2. Sector Issues Identified in National Research

Research by the UK Commission for Employment and Skills (UKCES)¹³ provides a relatively recent national assessment of skills and workforce issues affecting the sector. **Figure 6 (overleaf)** summarises some key points from the analysis using the “PESTLE” analytical framework, with some additional input from Emergent Research’s recent experience of the sector.

UKCES also identified the following specific skills priorities that need to be addressed for sector:

- Increasing the supply of the workforce. This includes: supporting sector job growth, accelerating social mobility in the workplace, professionalising the workforce and increasing the effectiveness of training.
- Improvement of customer service
- Increasing business investment in skills and reducing wasted public expenditure (by improving the apprenticeship offer)
- Aligning employers and stakeholders to deliver sustained growth through skills
- Matching training supply to employer needs

¹³ *Hospitality, Tourism and Sport Sector Skills Assessment 2012*, UKCES, October 2012.

Figure 6: Skills and Workforce “PESTLE” Analysis of the Tourism & Hospitality Sector

<p>Policy / Political</p> <p>In such abroad sector a wide range of policy drivers will have a bearing on skills needs. These include policies to reduce “red tape”, encourage healthier lifestyles, which affect the overall investment climate, and migration</p>	<p>Technological</p> <p>Advances in technology impact the whole of the <i>hospitality, tourism and sport</i> sector. While changes have mainly been driven by larger businesses, small businesses also use new technology to promote and market their business or add value to aspects of their services</p> <p>Research undertaken by People 1st identified six key areas of technology used within the hospitality industry of particular relevance to skills: online training, customer relationship management (CRM) systems, management information systems, human resources (HR) and electronic/mobile learning systems, front of house technologies, and food preparation and cooking technologies</p>
<p>Economic</p> <p>The sector is significant in scale, accounting for around 7% of total UK employment and 9% of all business establishments. It also makes a significant contribution to GVA (hotels and restaurants alone contribute over £36bn in GVA), but GVA per employee job is much lower than for the economy as a whole (£23,000 versus £46,000).</p>	<p>Legal / Regulatory</p> <p>The cost of regulation is an issue for many businesses in the sector. <i>Across sport and active leisure</i>, the key areas for employers are health and safety, insurance, minibus driving, ensuring facilities are fit for purpose, employment law, planning/public rights of way and statutory regulations (eg those relating to food preparation). The cost of compliance is also an area of concern with some evidence of an increased ‘compensation culture’. This makes it particularly difficult for certain industries to cover all possible risks and protect themselves from litigation.</p>
<p>Social</p> <p>Hospitality, tourism and sport has the lowest proportion of full-time employees of all sectors (55% v 73%) and has an especially young workforce (33% under 25 v 11% for the whole economy). Self-employment is less common than in most other sectors and a higher proportion of the workforce is female (52% v 46% whole economy), although women are significantly under-represented in managerial roles. The workforce also has a relatively low qualification profile, with only a fifth of people qualified to Level 4 and above (37% whole economy). The sector has the highest incidence of retention problems of any of the 15 SSA sectors (9% v 5% for all sectors).</p>	<p>Environmental</p> <p>Some administrative and regulatory aspects related to environmental change are managed at the local level. For example local authorities are responsible for managing, collecting and disposing much of the UK’s waste material. In the case of restaurants, for example, local regulations may apply to their waste management.</p> <p>Environmental change and sustainability are becoming increasingly important drivers for all businesses, reflecting the inter-relation between consumer preferences (as ‘green’ issues become of greater concern to the general public) and the financial implications of climate change.</p>

Annex (iii): Sector Skills – Finance & Business Services

Figure 1: Key Statistics – Finance & Business Services

	Sector	All inds		Sector	All inds
Enterprises 2013	6,425		Change in empl 2008-2013	-100	
Employment	32,100		% Change	-0%	+1%
Employment as % of all inds	6%		Forecast change in empl 2013-2022	+4,300	
			% Forecast change	+13%	+6%
% microbusinesses (0-9 empl)	93%	88%	% empl in microbusinesses (est)	49%	35%
% medium/large (50+)	1%	2%	% empl in medium/large (50+)	32%	40%

Sources: Employment stats - ONS BRES 2013. Rounded to nearest 100. Enterprise stats – ONS UK Business Counts 2014. Rounded to nearest 5. An Enterprise is the smallest combination of legal units (generally based on VAT and/or PAYE records) which has a certain degree of autonomy.

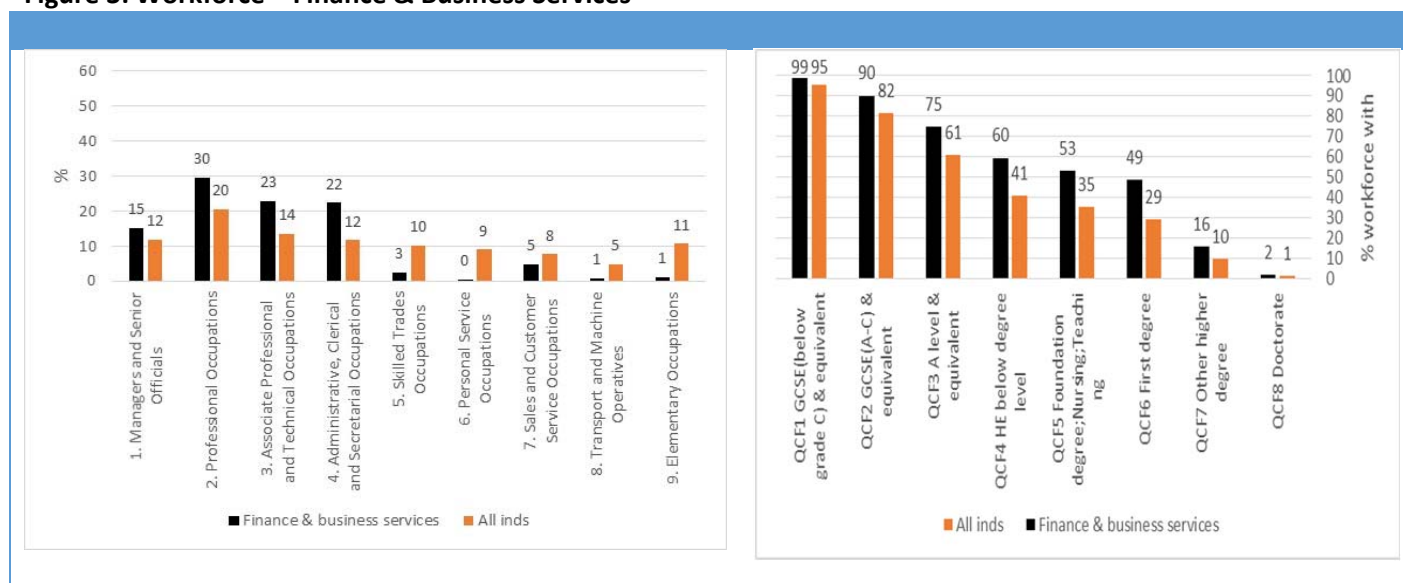
Figure 2: Local Concentrations – Finance & Business Services

	Ashford	Canterbury	Dartford	Dover	Gravesham	Maidstone	Sevenoaks	Shepway	Swale	Thanet	Tonbridge & Malling	Tunbridge Wells	KCC	Medway UA	Kent & Medway	SELEP
Employment LQ	0.7	0.6	0.4	0.4	0.4	0.8	0.9	0.9	0.4	0.4	0.9	1.6	0.7	0.6	0.7	0.7
Employment	2,900	3,000	1,700	1,100	900	4,100	3,300	2,600	1,300	1,400	3,900	6,000	28,000	4,100	32,100	86,700
Businesses	720	455	320	230	255	675	815	265	285	200	670	940	5,825	600	6,425	15,325

Sources: Employment stats - ONS BRES 2013. Rounded to nearest 100. Enterprise stats – ONS UK Business Counts 2014. Rounded to nearest 5. Location Quotients (LQ) calculations based on ONS BRES 2013.

Notes: Location Quotients are an Index of how much employment in a sector would be expected if the sector profile matched that of the UK. A value of 1.5 would indicate there is 50% more employment than expected. A value of 0.5 would indicate that there is half the employment expected.

Figure 3: Workforce – Finance & Business Services



Source: UKCES Working Futures 2012-2022, IER estimates c132

Notes: Based on figures for South East England.

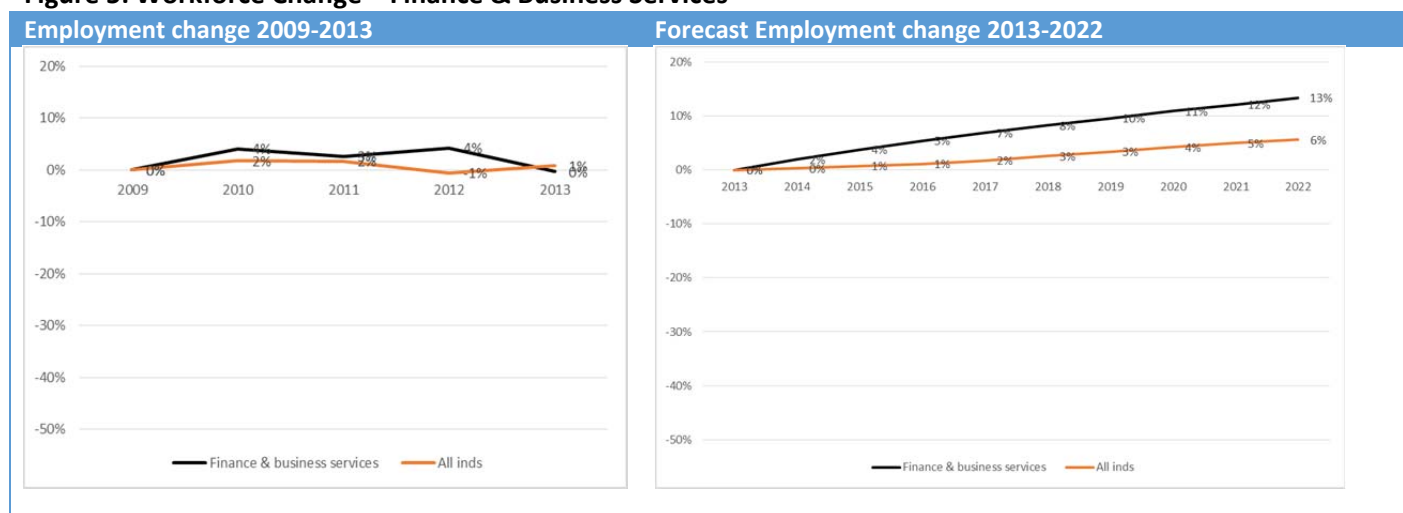
Figure 4: Workforce Detailed Occupations – Finance & Business Services

Occupation	Sector %	Est. empl
11 Corporate managers and directors	13%	4,300
12 Other managers and proprietors	2%	700
21 Science, research, engineering and technology professionals	12%	3,700
22 Health professionals	1%	200
23 Teaching and educational professionals	<1%	100
24 Business, media and public service professionals	18%	5,700
31 Science, engineering and technology associate professionals	4%	1,100
32 Health and social care associate professionals	<1%	100
33 Protective service occupations	1%	200
34 Culture, media and sports occupations	2%	600
35 Business and public service associate professionals	17%	5,500
41 Administrative occupations	16%	5,100
42 Secretarial and related occupations	6%	1,800
51 Skilled agricultural and related trades	<1%	100
52 Skilled metal, electrical and electronic trades	2%	500
53 Skilled construction and building trades	<1%	100
54 Textiles, printing and other skilled trades	<1%	100
61 Caring personal service occupations	<1%	100
62 Leisure, travel and related personal service occupations	<1%	100
71 Sales occupations	2%	500
72 Customer service occupations	3%	1,000
81 Process, plant and machine operatives	<1%	100
82 Transport and mobile machine drivers and operatives	<1%	200
91 Elementary trades and related occupations	<1%	<100
92 Elementary administration and service occupations	1%	300
Total	100%	

Source: UKCES Working Futures 2012-2022, IER estimates c132.

Notes: Percentage figures for South East England. Local employment estimates derived by Emergent Research & Consulting Ltd.

Figure 5: Workforce Change – Finance & Business Services



Source: Employment change - ONS BRES 2013. Employment Forecasts UKCES Working Futures 2012-2022, IER estimates c132

Notes: Forecasts based on figures for South East England. Historic figures % change based from 2009. Forecast % change from 2013.

Sector definition used in statistics (SIC codes)

- SIC 64 : Financial service activities, except insurance and pension funding
- SIC 65 : Insurance, reinsurance and pension funding, except compulsory social security
- SIC 66 : Activities auxiliary to financial services and insurance activities
- SIC 68 : Real estate activities
- SIC 69 : Legal and accounting activities
- SIC 70 : Activities of head offices; management consultancy activities

Analysis of the Finance & Business Services Sector

1. Key Messages from the Sector Dashboard

- Finance & Business Services is a significant employment sector nationally and in Kent & Medway accounts for 6% of overall employment. For the most part local employment in the sector is less prominent than in the UK as a whole. However, the District of Tunbridge Wells is an exception and contains nearly a fifth of Kent & Medway's employment in the sector.
- The sector has a large number of microbusinesses and these account for 49% of all employment in the sector (compared with 35% across the economy as a whole).
- The Finance & Business Services workforce has a much more highly qualified workforce profile than the 'all industry' average, with nearly half (49%) of all workers qualified to at least degree level. More than half of the workforce are in professional or associate professional occupations.
- Employment in the sector in Kent & Medway was fairly static over the period 2009 to 2013 but is forecast regionally and nationally to grow more strongly than the overall economy over the next 5-7 years. If Kent & Medway were to reflect these forecasts, this would suggest the need for an additional 4-5,000 workers by 2022.

2. Sector Issues highlighted in National Research

Research by UKCES provides a relatively recent national assessment of skills and workforce issues affecting the sector.¹⁴ **Figure 6 (overleaf)** summarises some key points from the analysis using the "PESTLE" analytical framework, with some additional input from Emergent Research's recent experience of the sector.

UKCES also identified the following specific skills priorities that need to be addressed for sector:

- Across the sector there is likely to be a continual need for more Professional and Associate Professional staff and for those staff to continually develop their specialist and technical skills.
- There is also a need for IT skills and training in the use of new technologies to ensure the sector's IT systems are sufficiently developed in line with latest developments in the industry.
- Management and leadership skills are likely to be in continual demand for the sector to be responsive to new market opportunities, changes in regulation and to compete in an increasingly globalised economy.
- There is ongoing demand for customer service skills among customer-facing staff to maintain high levels of service.
- Training and skills development in the areas of risk management and regulatory compliance is deemed a high priority among all occupational groups in Financial, insurance and other professional services.

¹⁴ UKCES. Financial, insurance and other professional services: Sector Skills Assessment, November 2012

Figure 6: Skills and Workforce “PESTLE” Analysis of the Finance & Business Services Sector

<p>Policy / Political</p> <p>Following the global financial events of 2008-9 the demand for transparency among stakeholders continues to drive public policy and regulation.</p>	<p>Technological</p> <p>New technology systems will impact on the demand for technical skills as well as the skills of technology users. The finance and business services sector is an intensive user of ICT and staff are expected to continually pick up and use new software. There remains however a lag between technological improvements and the expectations of customers, so that skills to manage the development, introduction and maintenance of new systems quickly and effectively are particularly valuable.</p> <p>Data security and compliance skills are also likely to increase in importance over the coming years.</p>
<p>Economic</p> <p>Whilst retail finance and business services are important to areas like Kent & Medway, the overall demand for skills in larger financial and insurance service firms are largely dependent on London as a global financial centre.</p> <p>The demand for other services, including legal services, particularly corporate and commercial law firms and real estate services is more dependent on the health of the UK economy more generally.</p> <p>For large businesses across the sector, the trend towards exporting back office functions to developing economies is expected to continue and extend towards some middle office monitoring and control functions.</p>	<p>Legal / Regulatory</p> <p>Increased regulation and financial supervision is likely to have a significant impact on skill demand in the finance sector including increasing the demand for qualified financial advisers, compliance training for sales and other staff and collaboration and partnership skills at management level.</p> <p>Banks are experiencing the greatest change in regulation and they need to keep abreast with the changing pace of legislation and maintain a high level of compliance skills. Increased regulatory requirements also appear to be driving greater need for accountants, actuaries and others capable of assessing and monitoring financial risk.</p>
<p>Social</p> <p>An aging population is likely to place increasing interest on Financial planning for later life resulting in an increased demand for new products and the skills to develop and deliver them. An aging population is also likely to mean an increase in the supply of skills as people work longer, although their skills may need regular updating.</p>	<p>Environmental</p> <p>Advisers will need more product knowledge of low carbon investment instruments in many parts of the financial services sector. London already has one of the most developed range of carbon market services including advisory and audit functions.</p>

Annex (iii): Sector Skills – Health & Social Care

Figure 1: Key Statistics – Health & Social Care

	Sector	All inds		Sector	All inds
Enterprises 2013	2,585		Change in empl 2008-2013	-2,700	
Employment	72,700		% Change	-4%	+1%
Employment as % of all inds	13%		Forecast change in empl 2013-2022	+2,000	
			% Forecast change	+3%	+6%
% microbusinesses (0-9 empl)	65%	88%	% empl in microbusinesses (est)	12%	35%
% medium/large (50+)	6%	2%	% empl in medium/large (50+)	53%	40%

Sources: Employment stats - ONS BRES 2013. Rounded to nearest 100. Enterprise stats – ONS UK Business Counts 2014. Rounded to nearest 5. An Enterprise is the smallest combination of legal units (generally based on VAT and/or PAYE records) which has a certain degree of autonomy.

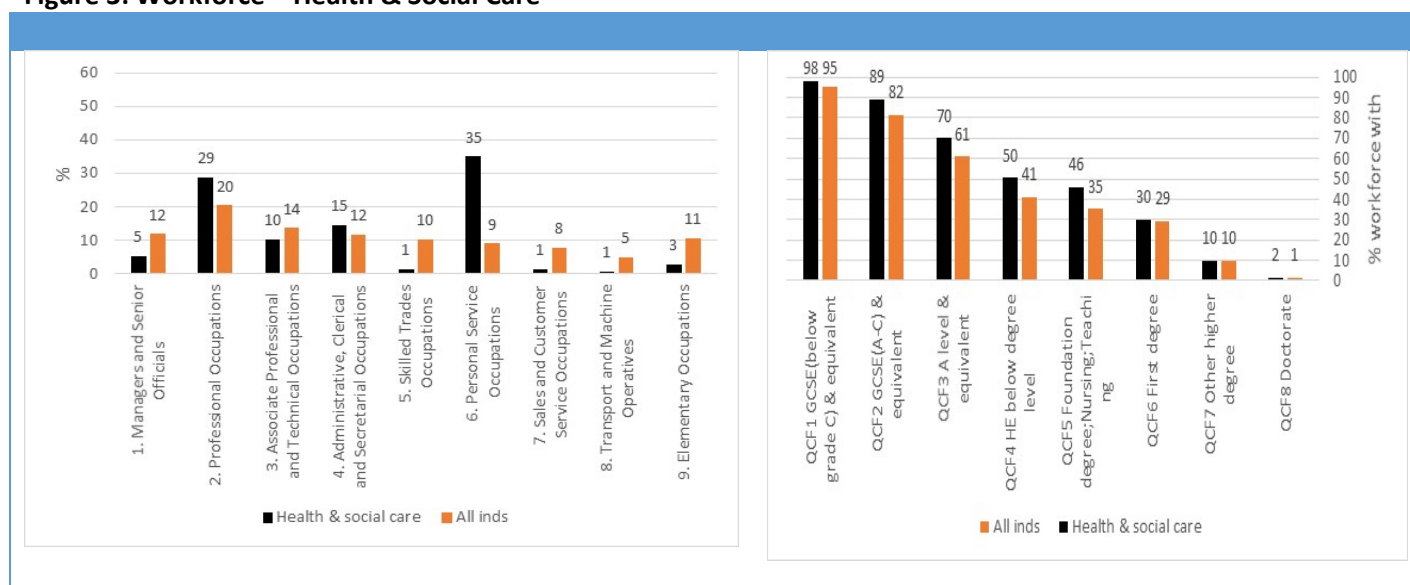
Figure 2: Local Concentrations – Health & Social Care

	Ashford	Canterbury	Dartford	Dover	Gravesham	Maidstone	Sevenoaks	Shepway	Swale	Thanet	Tonbridge & Malling	Tunbridge Wells	KCC	Medway UA	Kent & Medway	SELEP
Employment LQ	1.1	1.2	0.9	0.9	0.7	1.1	0.7	1.0	0.8	1.4	0.5	1.2	0.9	1.1	1.0	1.0
Employment	7,500	9,700	6,700	4,000	2,400	10,400	4,200	4,700	4,500	7,300	3,600	7,700	60,600	12,100	72,700	200,700
Businesses	195	250	130	165	110	280	190	170	180	180	190	215	2,245	340	2,585	6,210

Sources: Employment stats - ONS BRES 2013. Rounded to nearest 100. Enterprise stats – ONS UK Business Counts 2014. Rounded to nearest 5. Location Quotients (LQ) calculations based on ONS BRES 2013.

Notes: Location Quotients are an Index of how much employment in a sector would be expected if the sector profile matched that of the UK. A value of 1.5 would indicate there is 50% more employment than expected. A value of 0.5 would indicate that there is half the employment expected.

Figure 3: Workforce – Health & Social Care



Source: UKCES Working Futures 2012-2022, IER estimates c132

Notes: Based on figures for South East England.

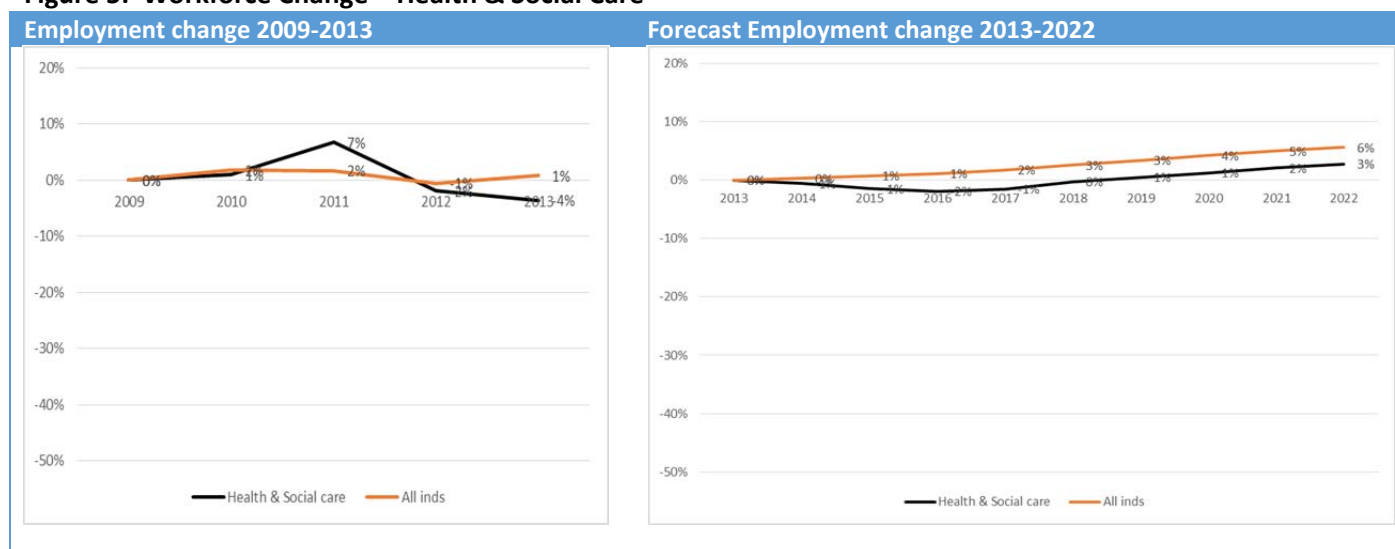
Figure 4: Workforce Detailed Occupations – Health & Social Care

Occupation	Sector %	Est. empl
11 Corporate managers and directors	4%	3,100
12 Other managers and proprietors	1%	700
21 Science, research, engineering and technology professionals	2%	1,500
22 Health professionals	22%	15,900
23 Teaching and educational professionals	1%	400
24 Business, media and public service professionals	5%	3,300
31 Science, engineering and technology associate professionals	1%	400
32 Health and social care associate professionals	6%	4,000
33 Protective service occupations	<1%	200
34 Culture, media and sports occupations	<1%	200
35 Business and public service associate professionals	4%	2,700
41 Administrative occupations	8%	5,500
42 Secretarial and related occupations	6%	4,500
51 Skilled agricultural and related trades	<1%	200
52 Skilled metal, electrical and electronic trades	<1%	200
53 Skilled construction and building trades	<1%	100
54 Textiles, printing and other skilled trades	1%	400
61 Caring personal service occupations	35%	25,700
62 Leisure, travel and related personal service occupations	1%	500
71 Sales occupations	1%	500
72 Customer service occupations	1%	500
81 Process, plant and machine operatives	<1%	100
82 Transport and mobile machine drivers and operatives	<1%	300
91 Elementary trades and related occupations	<1%	100
92 Elementary administration and service occupations	2%	1,600
Total	100%	

Source: UKCES Working Futures 2012-2022, IER estimates c132.

Notes: Percentage figures for South East England. Local employment estimates derived by Emergent Research & Consulting Ltd.

Figure 5: Workforce Change – Health & Social Care



Source: Employment change - ONS BRES 2013. Employment Forecasts UKCES Working Futures 2012-2022, IER estimates c132

Notes: Forecasts based on figures for South East England. Historic figures % change based from 2009. Forecast % change from 2013.

Sector definition used in statistics

SIC 86 : Human health activities

SIC 87 : Residential care activities

SIC 88 : Social work activities without accommodation

Analysis of the Health & Social Care sector

1. Key Messages from the Sector Dashboard

- The Health & Social Care Sector is a major employment sector in Kent & Medway accounting for 13% of the employment (over 72,000 people). Employment in the sector is more focused in medium and large organisations (50+ employees) than the average for all industries (53% compared with 40%).
- Thanet, Canterbury and Tunbridge Wells Districts all have relatively high proportions of employment in the Health and Social Care sector (and are all home to major hospitals).
- Employment in the sector has a dual structure with a significant proportion of highly qualified professionals (29%) and a large number of people employed in personal service occupations with intermediate level qualifications.
- Employment in the Health & Social Care sector declined slightly in Kent & Medway between 2009-2013 and is forecast to grow at around half the rate of overall employment over the next 7 years. However, given the size of the sector, this could lead to a requirement for an additional 2-3,000 workers in the sector by 2022.

2. Sector Issues Identified in National Research

Research by the UK Commission for Employment and Skills (UKCES)¹⁵ provides a relatively recent national assessment of skills and workforce issues affecting the sector. Figure 6 (overleaf) summarises some key points from the analysis using the “PESTLE” analytical framework, with some additional input from Emergent Research’s recent experience of the sector. The UKCES *Sector Skills Assessment* also identified the following eleven specific skills priorities that need to be addressed for Health:

- Priority 1 - Developing high quality management, leadership and engagement strategies to enable change.
- Priority 2 – Enabling the safe and rapid development of new roles, particularly at the intermediate skills level.
- Priority 3 – Promoting intermediate skills development.
- Priority 4 – Addressing generic skills issues and enhancing ICT skills in the sector.
- Priority 5 – Enhancing the accuracy of core/mandatory training within the sector.
- Priority 6 – Developing Health skills for non-Health specialists – community friends, and relatives.
- Priority 7 – Developing future-orientated intelligence for the Health sector to provide early warnings on skills needs.
- Priority 8 – Providing careers Information, Advice and Guidance for all ages.
- Priority 9 – Addressing business development skills needs in small and medium sized Healthcare providers.
- Priority 10 – Developing responsive local intelligence.
- Priority 11 – Reducing the dependence on non-EU migration.

Priorities for action for the Care Sector are in three broad areas:

1. Efficiency and innovation: promoting innovative and value for money workforce development solutions to develop a workforce that can deliver integrated, high quality, citizen and community-focused services. This would include self-employed workers.
2. Having a skilled sector workforce, especially in terms of:
 - a. Leadership, management, professional and specialist skills to support service changes (such as re-ablement and the extension of telecare)
 - b. Maintaining and improving standards of care
 - c. Developing workforce skills and confidence to make effective use of technology.
3. Sustainability: finding and retaining sufficient, skilled workers at local and national level is vital to meet increasing demand for early education, care and support services. This suggests a need for improvements to careers information and marketing of the sector as a career of choice, and includes engaging young people and men by extending the “Care Ambassadors” scheme.

¹⁵ *Sector Skills Assessment 2012: Health, and Sector Skills Assessment 2012: Care*, UKCES, October 2012.

Figure 6: Skills and Workforce “PESTLE” Analysis of the Health & Social Care Sector

<p>Policy / Political</p> <p>The sector is heavily reliant on Government funding, but the rate of growth of this funding is expected to slow in Health, and there are also considerable pressures on the public funding of Care. Health has also experienced some reductions in overall employment, as a result of reduced public and consumer spending. As a result, the focus of employers has changed from “more of the same” to “more for less”.</p> <p>Of the seven key drivers of change identified for the Health sector, 6 are policy related: the NHS concept, funding, public / private healthcare, political developments in bioscience, pharma and technology, and the choice agenda. These are all likely to erode many traditional ways of working and impact on skills needs.</p>	<p>Technological</p> <p>The key theme to 2022 is anticipated to be the bringing together of information technology and biological science as medical issues can be clarified into data. Another is the merging of technologies that have been traditionally separate.</p> <p>Looking further into the future, there could be further developments in diagnostic technologies and the emergence of robotics into the sector.</p> <p>In the Care sector reduced resources and increased demand for services for people in their own homes are likely to mean an increased use of telecare. Increased access to the internet and mobile devices could lead to increased remote data collection and monitoring of care service users.</p>
<p>Economic</p> <p>Health and Social Care contribute £94 billion Gross Value Added (GVA) to the UK economy, but, given its largely non-commercial nature scores less well on “GVA per job” than commercial sectors, given that this measure takes little account of quality and complexity. International comparisons using other measures suggests the sector performs well when compared with other countries.</p> <p>The scale of the Health and Care sector is underlined by the fact that more than five million people have identified social care needs and that annual Government spending on personal social care is over £30 billion (2009/10 figures).</p>	<p>Legal / Regulatory</p> <p>Patient safety requirements and regulation play a key role in driving qualifications in the sector, and mean that 60% of the Health workforce is qualified to Level 4 or above, compared with 34% for the employed workforce as a whole. At the same time, there are also concerns about basic skills levels, especially in groups like caring and personal services, and numeracy (important in activities like drug administration), for example, is a key focus for associate professional occupations.</p> <p>Local authorities play a key role in regulating the sector and commissioning many social care services. The highly regulated nature of care means that 84% of employers provide training (all-sector average is 59%), typically in job-specific, mandatory subjects like health and safety, induction, supervisory and management.</p>
<p>Social</p> <p>Two of the seven key driver of change in the Health sector are social in nature: demographic changes (eg: ageing population) and societal trends (eg: changes to household structure). Demand for services and levels of service need are steadily rising in Care.</p> <p>The Health workforce’s demographics are very different to those seen across the workforce as a whole: it is highly feminised and has an older age profile. Rates of self-employment and temporary working are lower in the sector than for the economy as a whole.</p> <p>Care sector employment has grown in recent years. The workforce is predominantly female, although male employment is growing, and there is also a relatively high proportion of part time and black / minority ethnic employment. Many care workers were born outside the UK (13%) and from outside the EEA (11%). There are more vacancies in social care roles than in childcare or early years services, and care employers are more likely to report difficulties with staff retention.</p>	<p>Environmental</p> <p>The impact of environment agenda on the development of the Health sector is likely to be mediated by regulation. However, the true extent of the impact of the environment is likely to be more fully understood as interest continues to grow in the impact of the local milieu on people’s health and well-being. This driver may well feature more highly in future debates on those forces driving change in the Health sector.</p> <p>In the Care sector energy and resource efficiency, and the effective management of environmental health issues are considered to be important to employers.</p>

Annex (iii): Sector Skills – Energy & Utilities

Figure 1: Key Statistics – Energy & Utilities

	Sector	All inds		Sector	All inds
Enterprises 2013	290		Change in empl 2008-2013	+700	
Employment	6,500		% Change	+12%	+1%
Employment as % of all inds	1%		Forecast change in empl 2013-2022	+700	
			% Forecast change	+11%	+6%
% microbusinesses (0-9 empl)	81%	88%	% empl in microbusinesses (est)	22%	35%
% medium/large (50+)	4%	2%	% empl in medium/large (50+)	51%	40%

Sources: Employment stats - ONS BRES 2013. Rounded to nearest 100. Enterprise stats – ONS UK Business Counts 2014. Rounded to nearest 5. An Enterprise is the smallest combination of legal units (generally based on VAT and/or PAYE records) which has a certain degree of autonomy.

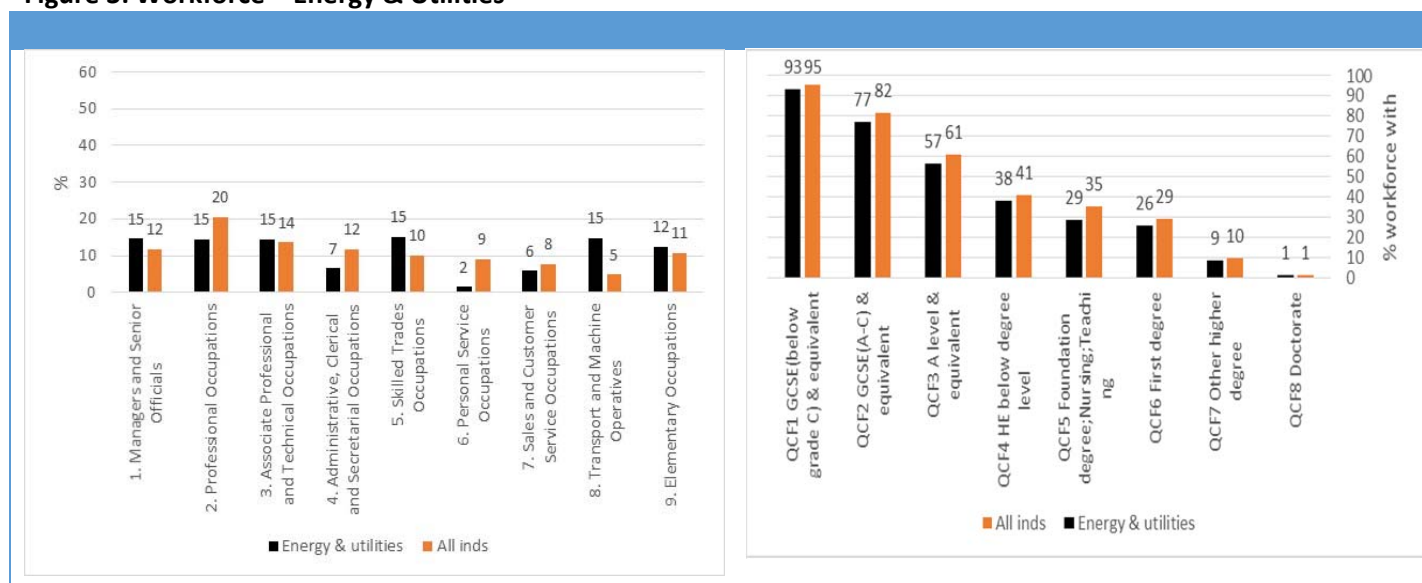
Figure 2: Local Concentrations – Energy & Utilities

	Ashford	Canterbury	Dartford	Dover	Gravesham	Maidstone	Sevenoaks	Shepway	Swale	Thanet	Tonbridge & Malling	Tunbridge Wells	KCC	Medway UA	Kent & Medway	SELEP
Employment LQ	0.9	0.8	0.9	0.7	0.3	0.7	0.6	2.8	0.9	0.7	2.9	0.6	1.0	1.7	1.1	1.0
Employment	500	500	500	200	100	500	300	1,100	400	300	1,700	300	5,000	1,500	6,500	15,600
Businesses	20	15	20	10	15	25	70	10	20	25	25	10	265	25	290	595

Sources: Employment stats - ONS BRES 2013. Rounded to nearest 100. Enterprise stats – ONS UK Business Counts 2014. Rounded to nearest 5. Location Quotients (LQ) calculations based on ONS BRES 2013.

Notes: Location Quotients are an Index of how much employment in a sector would be expected if the sector profile matched that of the UK. A value of 1.5 would indicate there is 50% more employment than expected. A value of 0.5 would indicate that there is half the employment expected.

Figure 3: Workforce – Energy & Utilities



Source: UKCES Working Futures 2012-2022, IER estimates c132

Notes: Based on figures for South East England.

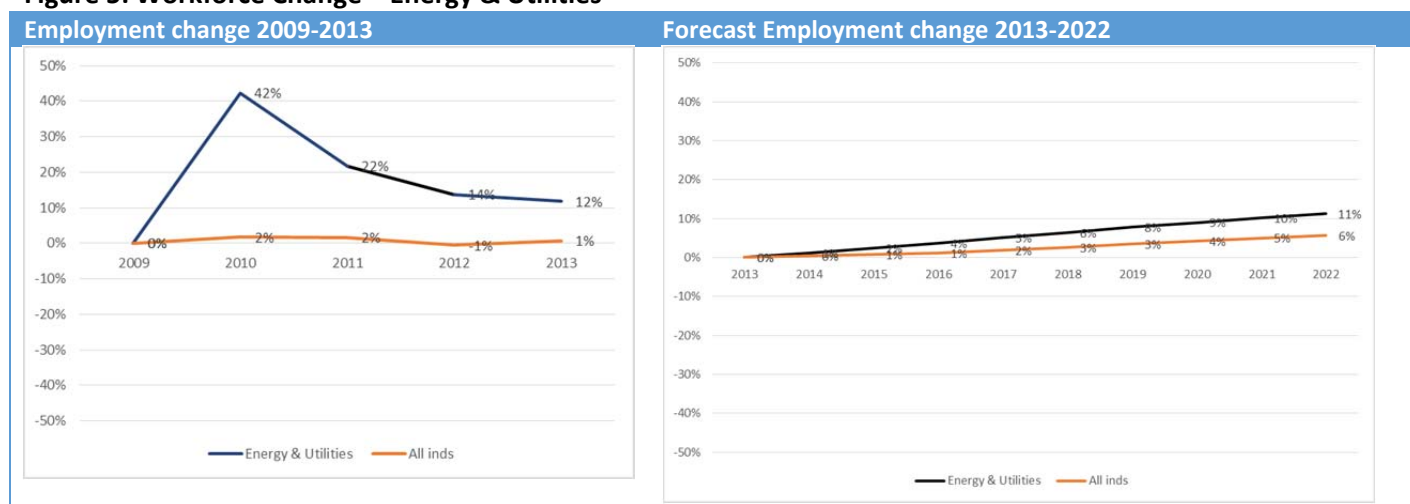
Figure 4: Workforce Detailed Occupations – Energy & Utilities

Occupation	Sector %	Est. empl
11 Corporate managers and directors	10%	600
12 Other managers and proprietors	5%	300
21 Science, research, engineering and technology professionals	10%	600
22 Health professionals	1%	<100
23 Teaching and educational professionals	1%	<100
24 Business, media and public service professionals	4%	300
31 Science, engineering and technology associate professionals	3%	200
32 Health and social care associate professionals	<1%	<100
33 Protective service occupations	2%	100
34 Culture, media and sports occupations	1%	<100
35 Business and public service associate professionals	9%	600
41 Administrative occupations	5%	300
42 Secretarial and related occupations	1%	100
51 Skilled agricultural and related trades	1%	<100
52 Skilled metal, electrical and electronic trades	9%	600
53 Skilled construction and building trades	5%	300
54 Textiles, printing and other skilled trades	1%	100
61 Caring personal service occupations	1%	100
62 Leisure, travel and related personal service occupations	1%	100
71 Sales occupations	2%	100
72 Customer service occupations	4%	200
81 Process, plant and machine operatives	4%	200
82 Transport and mobile machine drivers and operatives	11%	700
91 Elementary trades and related occupations	1%	100
92 Elementary administration and service occupations	11%	700
Total	100%	

Source: UKCES Working Futures 2012-2022, IER estimates c132.

Notes: Percentage figures for South East England. Local employment estimates derived by Emergent Research & Consulting Ltd.

Figure 5: Workforce Change – Energy & Utilities



Source: Employment change - ONS BRES 2013. Employment Forecasts UKCES Working Futures 2012-2022, IER estimates c132

Notes: Forecasts based on figures for South East England. Historic figures % change based from 2009. Forecast % change from 2013.

Sector definition used in statistics

SIC 35 : Electricity, gas, steam and air conditioning supply
 SIC 36 : Water collection, treatment and supply
 SIC 37 : Sewerage
 SIC 38 : Waste collection, treatment and disposal activities; materials recovery

SIC 39 : Remediation activities and other waste management services. This division includes the provision of remediation services, i.e. the cleanup of contaminated buildings and sites, soil, surface or ground water.

Analysis of the Energy & Utilities Sector

1. Key Messages from the Sector Dashboard

- The Energy & Utilities sector is a relatively small employment sector within Kent & Medway accounting for just 1% of employment. Employment in the sector is relatively concentrated in medium and large employers (50+ employees), who employ 51% of the workforce (compared with 40% across all industries).
- There are particular local concentrations of energy & utility sector employment in Tonbridge & Malling, Medway and Shepway.
- The sector has quite a diverse workforce with many different occupations and the qualification profile of the workforce is similar to the all industry average. However workers are slightly less likely to have graduate level qualifications (29% compared with 35% across all industries).
- Employment grew significantly over the period of 2009-2013 in Kent & Medway (although the figures for 2010 may be an outlier or potential error in the national statistics) and the sector is forecast to grow regionally at a faster rate than the overall economy. This could mean a demand for an additional 5-700 workers in Kent & Medway by 2022.

2. Sector Issues Identified in National Research

Research by the UK Commission for Employment and Skills (UKCES)¹⁶ provides a relatively recent national assessment of skills and workforce issues affecting the sector. Figure 6 (below) summarises some key points from the analysis using the “PESTLE” analytical framework, with some additional input from Emergent Research’s recent experience of the sector.

UKCES also identified the following specific skills priorities that need to be addressed for sector:

- Improving the image of the sector in order to attract the skilled employees needed to meet sector ambition.
- Ensuring appropriate Apprenticeship frameworks are in place and promoting these as attractive entry routes into the sector for all ages and abilities.
- Establishing effective mechanisms that ensure, and prove, the competency of the workforce in a way that meets legislative and regulatory requirements and which are consistent and recognised across sector employers (where appropriate).
- Ensuring that mechanisms are in place, and promoted to employers, which ensure that the higher level skills needs of the workforce can be delivered (particularly supporting progression routes from level 3 upwards).
- Ensuring that the skills needed for research, development, installation, operation and maintenance of new technologies are identified and the necessary provision in place to deliver them.
- Promoting the importance of management and leadership skills across the sector and ensuring that appropriate provision is available to the sector.
- Ensuring that education and skills providers operating within the sector are aware of, and capable of meeting, the current and future skills of the sector.

¹⁶ *Energy and Utilities Sector Skills Assessment 2012*, UKCES, October 2012.

Figure 6: Skills and Workforce “PESTLE” Analysis of the Energy & Utilities Sector

<p>Policy / Political</p> <p>Government regulation and legislation is an important driver of demand for skills in the sector, and can include health and safety, energy policy, and environmental policy (including climate change mitigation and adaptation, stimulating the low-carbon economy and waste management).</p> <p>The policy priorities of ensuring energy supply and managing the shift to the low-carbon economy will have a key bearing on the sector. Strong Government can leadership can reduce uncertainty in energy and utility markets.</p>	<p>Technological</p> <p>Technological change is a significant driver of the sector, and can include new developments and new applications of existing technologies. The energy sector is very capital intensive and investment in the adaptation of existing technologies and the introduction of new ones.</p> <p>This creating demand for skills at higher levels in research and development (R&D); at the intermediate level in terms of operation and maintenance; and at lower levels in manufacturing.</p>
<p>Economic</p> <p>The sector is small accounting for only 1.6% of total UK employment and 2.1% of total UK GVA. GVA per person is substantially higher than for all other sectors of the economy at £131,000 per employee. Waste management has grown significantly and accounted for almost two thirds of all sector start-ups in 2009.</p> <p>National economic performance can be closely linked to demand for the service the sector offers.</p>	<p>Legal / Regulatory</p> <p>Regulatory and legislative requirements (as well as the nature and environment of much of the sector’s activities) dictate that the training that is offered to the workforce is principally job-specific or related to health and safety.</p>
<p>Social</p> <p>The sector has the highest proportion of full-time employees of any sector in the UK economy. The workforce is characterised by being predominantly male (81% of all employees, compared with 54% for the economy as a whole) and having the lowest proportion of black / minority ethnic staff of all the UKCES SSA sectors (only agriculture, forestry and fishing is less ethnically diverse).</p> <p>The age profile of the sector is slightly older than the UK’s total workforce, but the age profile of the sector’s technical and engineering workforce is considerably older. The sector workforce’s qualifications profile is very similar to that of the overall UK workforce.</p> <p>Demographic and population change can lead to changes in consumer demand for the services the sector offers.</p>	<p>Environmental</p> <p>Environmental change may lead to skills needs as a result of government policy and investment to tackle climate change through stimulating the low carbon economy and determining the exact make-up of energy generating capacity and waste treatment activities.</p>

Annex (iii): Sector Skills – Lifesciences

Figure 1: Key Statistics – Lifesciences

	Sector	All inds		Sector	All inds
Enterprises 2013	165		Change in empl 2008-2013	-3,000	
Employment	4,000		% Change	-42%	+1%
Employment as % of all inds	1%		Forecast change in empl 2013-2022	+200	
			% Forecast change	+6%	+6%
% microbusinesses (0-9 empl)	79%	88%	% empl in microbusinesses (est)	14%	35%
% medium/large (50+)	7%	2%	% empl in medium/large (50+)	70%	40%

Sources: Employment stats - ONS BRES 2013. Rounded to nearest 100. Enterprise stats – ONS UK Business Counts 2014. Rounded to nearest 5. An Enterprise is the smallest combination of legal units (generally based on VAT and/or PAYE records) which has a certain degree of autonomy.

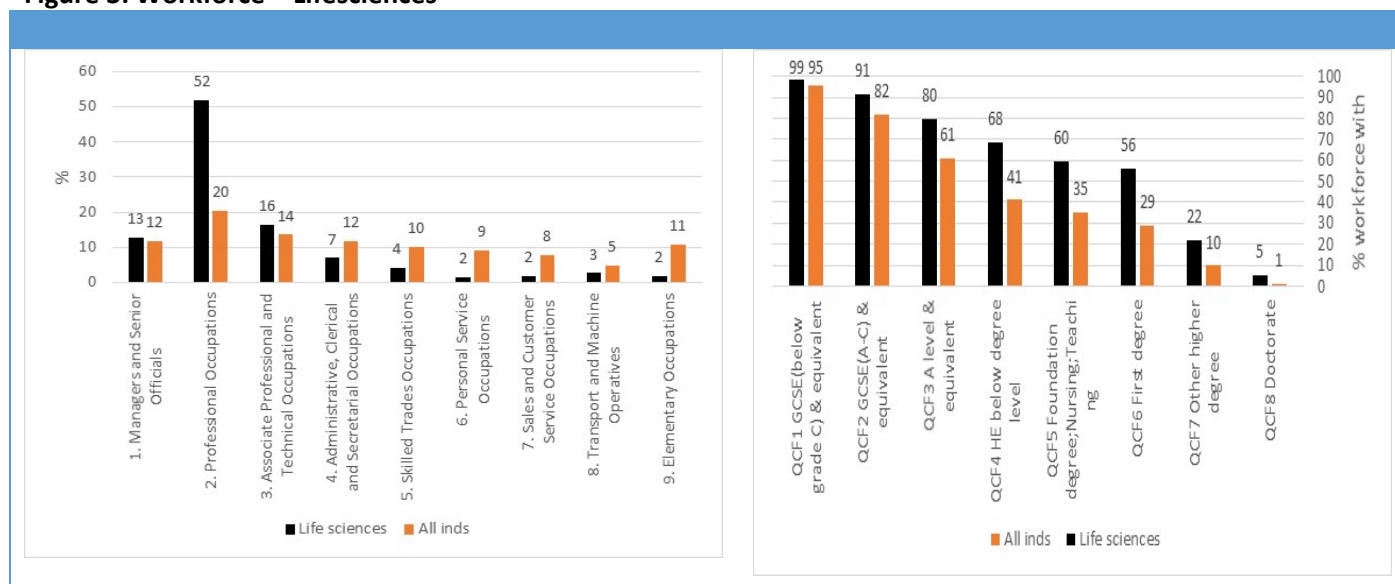
Figure 2: Local Concentrations – Lifesciences

	Ashford	Canterbury	Dartford	Dover	Gravesham	Maidstone	Sevenoaks	Shepway	Swale	Thanet	Tonbridge & Malling	Tunbridge Wells	KCC	Medway UA	Kent & Medway	SELEP
Employment LQ	0.7	0.2	0.4	3.3	0.8	0.7	3.4	0.3	1.9	1.1	0.6	0.1	1.1	0.2	1.0	0.7
Employment	300	100	200	700	100	300	1,100	100	600	300	200	<100	3,900	100	4,000	7,700
Businesses	10	20	10	20	10	15	20	5	10	15	10	10	150	15	165	370

Sources: Employment stats - ONS BRES 2013. Rounded to nearest 100. Enterprise stats – ONS UK Business Counts 2014. Rounded to nearest 5. Location Quotients (LQ) calculations based on ONS BRES 2013.

Notes: Location Quotients are an Index of how much employment in a sector would be expected if the sector profile matched that of the UK. A value of 1.5 would indicate there is 50% more employment than expected. A value of 0.5 would indicate that there is half the employment expected.

Figure 3: Workforce – Lifesciences



Source: UKCES Working Futures 2012-2022, IER estimates c132

Notes: Based on figures for South East England.

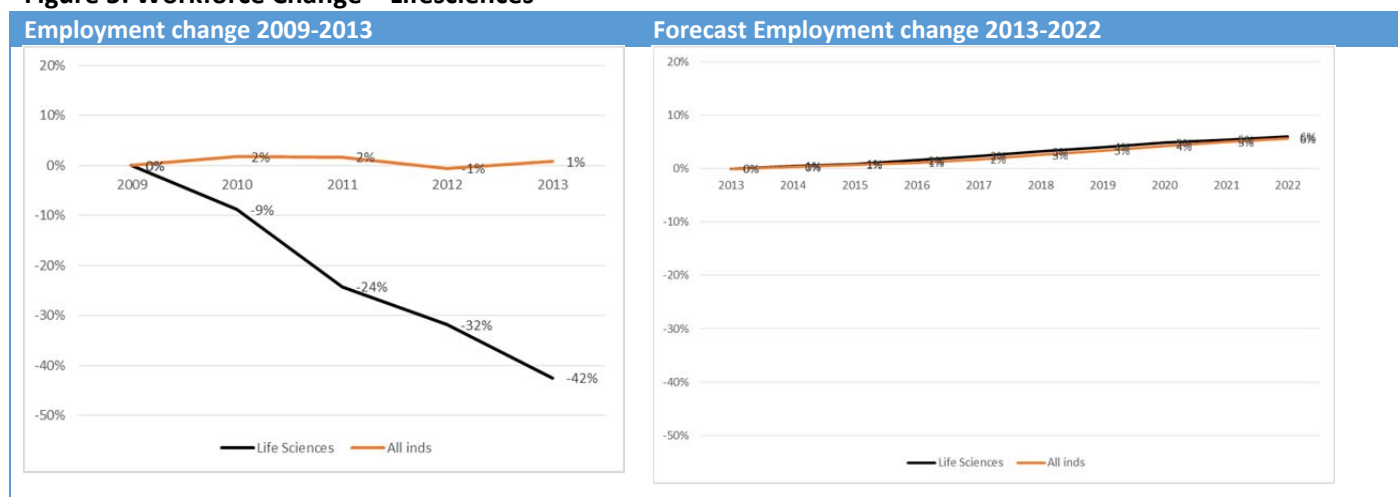
Figure 4: Workforce Detailed Occupations – Lifesciences

Occupation	Sector %	Est. empl
11 Corporate managers and directors	12%	500
12 Other managers and proprietors	1%	<100
21 Science, research, engineering and technology professionals	37%	1,500
22 Health professionals	2%	100
23 Teaching and educational professionals	8%	300
24 Business, media and public service professionals	6%	200
31 Science, engineering and technology associate professionals	7%	300
32 Health and social care associate professionals	<1%	<100
33 Protective service occupations	<1%	<100
34 Culture, media and sports occupations	1%	<100
35 Business and public service associate professionals	8%	300
41 Administrative occupations	5%	200
42 Secretarial and related occupations	1%	<100
51 Skilled agricultural and related trades	<1%	<100
52 Skilled metal, electrical and electronic trades	3%	100
53 Skilled construction and building trades	<1%	<100
54 Textiles, printing and other skilled trades	<1%	<100
61 Caring personal service occupations	1%	<100
62 Leisure, travel and related personal service occupations	1%	<100
71 Sales occupations	1%	<100
72 Customer service occupations	1%	<100
81 Process, plant and machine operatives	2%	100
82 Transport and mobile machine drivers and operatives	1%	<100
91 Elementary trades and related occupations	1%	<100
92 Elementary administration and service occupations	1%	<100
Total	100%	

Source: UKCES Working Futures 2012-2022, IER estimates c132.

Notes: Percentage figures for South East England. Local employment estimates derived by Emergent Research & Consulting Ltd.

Figure 5: Workforce Change – Lifesciences



Source: Employment change - ONS BRES 2013. Employment Forecasts UKCES Working Futures 2012-2022, IER estimates c132

Notes: Forecasts based on figures for South East England. Historic figures % change based from 2009. Forecast % change from 2013.

Sector definition used in statistics

SIC 211 : Manufacture of basic pharmaceutical products
 SIC 212 : Manufacture of pharmaceutical preparations
 SIC 266 : Manufacture of irradiation, electromedical and electrotherapeutic equipment
 SIC 325 : Manufacture of medical and dental instruments and supplies

SIC 721 : Research and experimental development on natural sciences and engineering

Analysis of the Lifesciences Sector

1. Key Messages from the Sector Dashboard

- Lifesciences is a relatively small sector in terms of employment but is viewed as strategically important for the future by both national and local government.
- Although some microbusinesses are critical to the sector, employment is dominated by larger businesses. Some 70% of the workforce is employed by companies with 50 or more staff (compared with 40% across all industries).
- The workforce is predominantly professional and highly qualified with the most skilled professionals operating in a national and international labour market.
- Employment in Kent & Medway contracted sharply over the period 2009 to 2013, principally as the result of the relocation decisions of some large Lifesciences businesses, including Pfizers decision to move its Headquarters from Sandwich).
- Regionally and nationally employment in the sector is expected to grow at similar levels to the overall economy for the next 5-7 years.

2. Sector Issues highlighted in National Research

Research by the UKCES in 2010 provides a *relatively* recent national assessment of skills and workforce issues affecting the sector.¹⁷ **Figure 6 (overleaf)** summarises some key points from the analysis using the “PESTLE” analytical framework, with some additional input from Emergent Research’s recent experience of the sector.

The UKCES paper concludes that the future skill needs of the sector relate very much to:

- Skills required by the R&D process (e.g. highly qualified scientists able to translate scientific breakthroughs into products);
- The production process (e.g. engineers, technicians, and operatives);
- Management (e.g. developing and managing inter-disciplinary teams, being able to diversify the product range, managing mature product ranges, etc.).

The report notes that many of the skills which the bio-medical sector will increasingly require are ones which are typically in short-supply across the economy (e.g. generic skills related to management and leadership, highly qualified scientists and engineers working at the cutting edge of product development).

The nature of skill demand in the sector is such that supply will always struggle to keep pace. There are, however, a range of more commonplace skills which the sector is currently dependent upon and will continue to be over the period to 2020. These include a range of engineering and technician roles related to the production of everyday products and operatives who work on assembly lines.

¹⁷ UKCES 2010, Strategic Skills Needs in the Bio-Medical Sector

Figure 6: Skills and Workforce “PESTLE” Analysis of the Lifesciences Sector

<p>Policy / Political</p> <p>Public health expenditure is a significant driver in the sector and technological advances are taking place against a background of a need to reduce healthcare costs in many countries including the UK.</p> <p>This could lead to more focus on sensing and diagnosis at an earlier stage and preventative measures and cures.</p> <p>The establishment of industry links with the HE/R&D subsector is driving both innovation and regional specialisation.</p>	<p>Technological</p> <p>Technological changes driving the sector include:</p> <ul style="list-style-type: none"> • Biological rather than chemical agents in drug treatments in bio-pharmaceuticals • Personalised medicines (that are designed to take account of an individual’s genetic code) • Predictive/preventative/regenerative medicines • Bioinformatics where IT is used to store bio information in digital form and/or to model or simulate biological processes <p>Leading businesses often have better access to new technologies than training providers and can work collaboratively to improve training.</p>
<p>Economic</p> <p>The lifesciences sector is global in two respects; many leading companies are multinationals and there is significant international trade in biomedical goods at both the intermediate and final product stage.</p> <p>Production of standard mass market pharmaceuticals has tended to move to more low cost off-shore locations and the emphasis in the UK has been on R&D and on smaller and more responsive batch production.</p> <p>Employment is forecast to grow nationally in the medium term albeit quite slowly (but in contrast to the continued decline of manufacturing employment as a whole). However the long term employment potential of the sector is unclear.</p>	<p>Legal / Regulatory</p> <p>The sector is very highly regulated not only in the research that it does but also in the process for approving new medicines, therapies and devices. Given the global nature of the system, it is increasingly about acquiring approvals in many different markets which can be a challenge for SMEs.</p> <p>The relatively permissive attitude towards stem cell research in the UK has supported some increased employment in R&D in this field.</p>
<p>Social</p> <p>The ageing population will mean that the demand for treatment for chronic conditions will continue to grow. It is also driving a growth in the Over The Counter (OTC) market for medicines and treatments, including health monitoring devices.</p>	<p>Environmental</p> <p>The sector has for decades focused on one use disposable treatments and devices, given the need for sterile conditions. However, environmental concerns are driving a renewed look at low energy sterilisation technologies as well as reducing waste in the first place.</p>

Annex (iii): Sector Skills – Digital & Media

Figure 1: Key Statistics – Digital & Media

	Sector	All inds		Sector	All inds
Enterprises 2013	6,430		Change in empl 2008-2013	+1,200	
Employment	20,500		% Change	+6%	+1%
Employment as % of all inds	4%		Forecast change in empl 2013-2022	+3,300	
			% Forecast change	+16%	+6%
% microbusinesses (0-9 empl)	95%	88%	% empl in microbusinesses (est)	56%	35%
% medium/large (50+)	1%	2%	% empl in medium/large (50+)	26%	40%

Sources: Employment stats - ONS BRES 2013. Rounded to nearest 100. Enterprise stats – ONS UK Business Counts 2014. Rounded to nearest 5. An Enterprise is the smallest combination of legal units (generally based on VAT and/or PAYE records) which has a certain degree of autonomy.

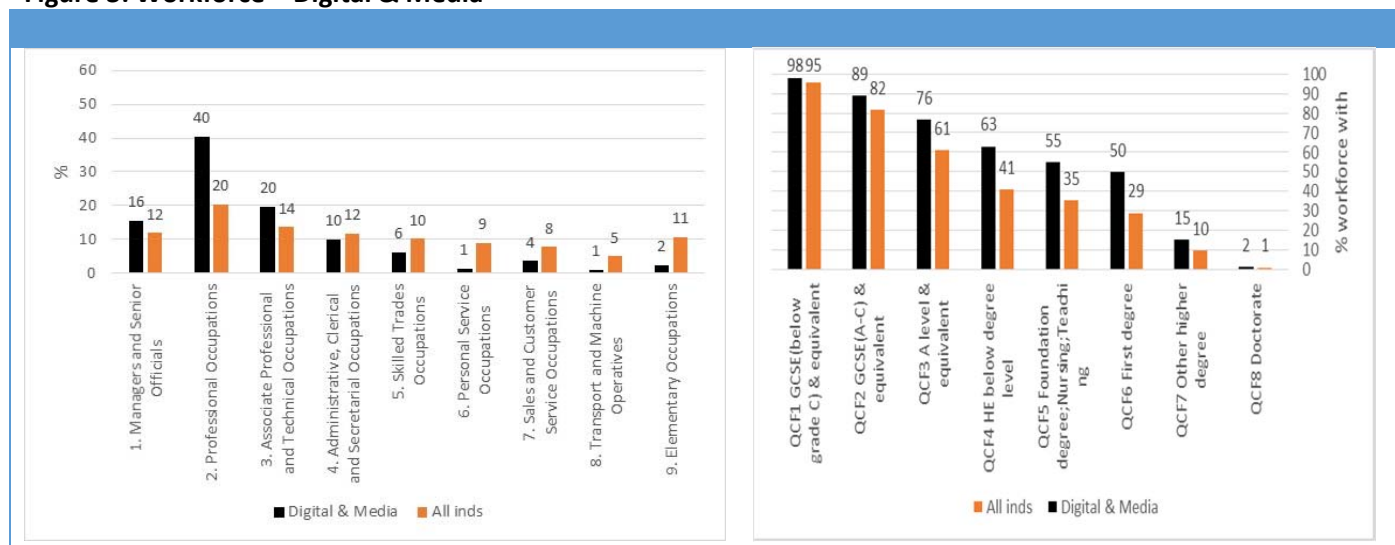
Figure 2: Local Concentrations – Digital & Media

	Ashford	Canterbury	Dartford	Dover	Gravesham	Maidstone	Sevenoaks	Shepway	Swale	Thanet	Tonbridge & Malling	Tunbridge Wells	KCC	Medway UA	Kent & Medway	SELEP
Employment LQ	0.9	0.6	0.6	0.3	0.4	0.7	1.2	0.4	0.6	0.3	0.9	1.2	0.7	0.5	0.7	0.7
Employment	2,200	1,800	1,600	500	600	2,400	2,900	800	1,300	700	2,600	3,000	18,400	2,100	20,500	53,100
Businesses	520	470	350	240	275	670	820	290	355	255	650	870	5,765	665	6,430	15,925

Sources: Employment stats - ONS BRES 2013. Rounded to nearest 100. Enterprise stats – ONS UK Business Counts 2014. Rounded to nearest 5. Location Quotients (LQ) calculations based on ONS BRES 2013.

Notes: Location Quotients are an Index of how much employment in a sector would be expected if the sector profile matched that of the UK. A value of 1.5 would indicate there is 50% more employment than expected. A value of 0.5 would indicate that there is half the employment expected.

Figure 3: Workforce – Digital & Media



Source: UKCES Working Futures 2012-2022, IER estimates c132

Notes: Based on figures for South East England.

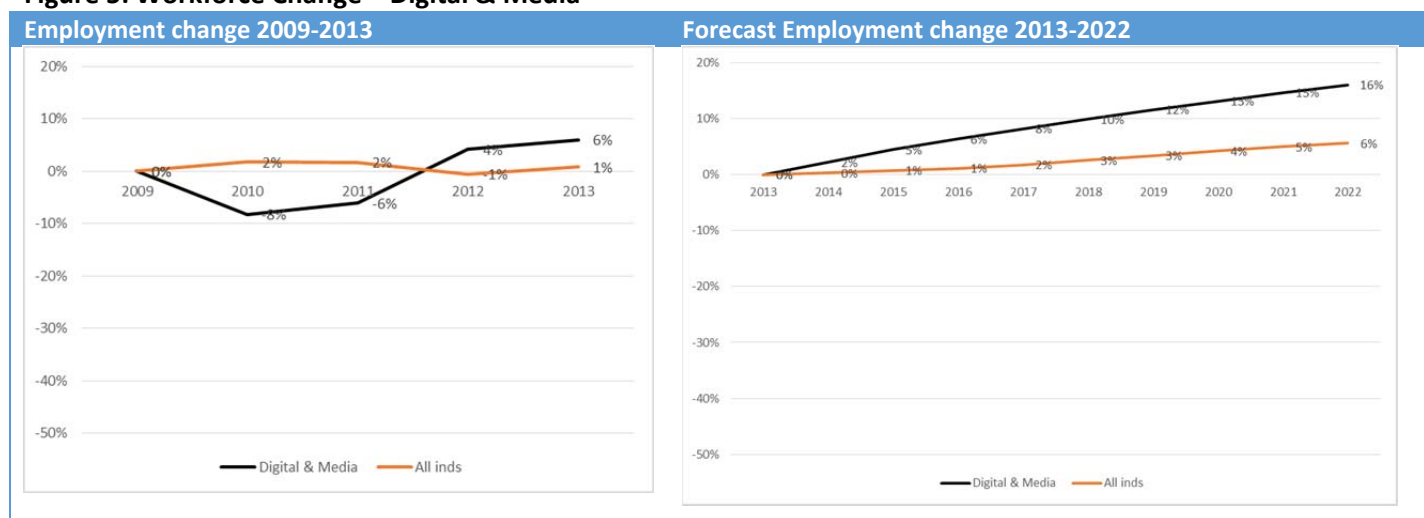
Figure 4: Workforce Detailed Occupations – Digital & Media

Occupation	Sector %	Est. empl
11 Corporate managers and directors	14%	2,800
12 Other managers and proprietors	2%	400
21 Science, research, engineering and technology professionals	29%	6,000
22 Health professionals	1%	100
23 Teaching and educational professionals	<1%	100
24 Business, media and public service professionals	11%	2,300
31 Science, engineering and technology associate professionals	5%	900
32 Health and social care associate professionals	<1%	<100
33 Protective service occupations	1%	300
34 Culture, media and sports occupations	5%	900
35 Business and public service associate professionals	9%	1,800
41 Administrative occupations	7%	1,400
42 Secretarial and related occupations	3%	500
51 Skilled agricultural and related trades	1%	100
52 Skilled metal, electrical and electronic trades	4%	900
53 Skilled construction and building trades	<1%	100
54 Textiles, printing and other skilled trades	<1%	100
61 Caring personal service occupations	1%	200
62 Leisure, travel and related personal service occupations	<1%	100
71 Sales occupations	1%	200
72 Customer service occupations	2%	500
81 Process, plant and machine operatives	<1%	100
82 Transport and mobile machine drivers and operatives	1%	100
91 Elementary trades and related occupations	<1%	100
92 Elementary administration and service occupations	2%	400
Total	100%	

Source: UKCES Working Futures 2012-2022, IER estimates c132.

Notes: Percentage figures for South East England. Local employment estimates derived by Emergent Research & Consulting Ltd.

Figure 5: Workforce Change – Digital & Media



Source: Employment change - ONS BRES 2013. Employment Forecasts UKCES Working Futures 2012-2022, IER estimates c132

Notes: Forecasts based on figures for South East England. Historic figures % change based from 2009. Forecast % change from 2013.

Sector definition used in statistics

- SIC 58 : Publishing activities
- SIC 59 : Motion picture, video and television programme production, sound recording and music publishing activities
- SIC 60 : Programming and broadcasting activities
- SIC 61 : Telecommunications
- SIC 62 : Computer programming, consultancy and related activities
- SIC 63 : Information service activities
- SIC 73 : Advertising and market research
- SIC 74 : Other professional, scientific and technical activities

Analysis of the Digital Media Sector

1. Key Messages from the Sector Dashboard

- The sector employs over 20,000 people in Kent and Medway and makes up 4% of the employed workforce. Micro-businesses (with up to 9 staff) account for 95% of firms in the sector (88% for the economy as a whole). This is growing sector, with employment having increased by 6% between 2008 and 2013, and forecast to increase by 16% (3,300 jobs) between 2013 and 2022.
- The main local concentrations of local employment in the sector are in West Kent: more than a quarter of the workforce are in Sevenoaks and Tunbridge Wells, both areas with high sector employment density. Maidstone and Tonbridge & Malling also relatively large numbers of people working in the sector.
- The qualifications profile of the sector workforce is higher in terms of level than the overall Kent and Medway employed workforce, and there are few low-skilled roles. 40% of the workforce are in professional occupations, double the percentage for the employed workforce as a whole.
- Although the overall level of employment dipped quickly in the recent recession, it also recovered quickly, and growth in employment is set to outstrip employment growth in all sectors significantly over the period 2013 – 2022, forecast to grow by 16% when employment growth for all sectors is expected to be around 6%.

2. Sector issues highlighted in National Research

Research by the UK Commission for Employment and Skills (UKCES)¹⁸ provides the most up-to-date national assessment of skills and workforce issues affecting the sector through its Skills Assessments of the ICT and Creative Media and Entertainment sectors. **Figure 6 (overleaf)** summarises some key points from the analysis using the “PESTLE” analytical framework, with some additional input from Emergent Research’s recent experience of the sector. The UKCES *Sector Skills Assessment* for the Creative Media & Entertainment sector identified the following skills priorities:

- There is significant and increasing demand for corporate managers able to cope with market change and increasing competition who can adopt high performance working practices.
- The increasingly global scale of opportunities and competition and the increasing breadth and complexity of the sector will continue to invoke the need for skills in brokering and maintaining networks and alliances across both industrial and geographical boundaries, as well as a need for foreign language skills.
- The multi-platform environment in which the sector now operates has created new demands: at management level, for the project management and hybrid skills combining leadership with creativity and understanding of technology; and at professional level, to enable creation of content for distribution across multiple channels.
- The fusion of innovation and creativity with technical skills has been highlighted as a priority for many years: harnessing knowledge transfer more effectively between STEM subjects and creative media. ‘T’ shaped skills are an increasing priority for many sectors, so that individuals can apply their specialist expertise across different areas in teams.
- Skills shortages and gaps exist within a range of associate professional and technical skills, including: camera, set crafts, complex lighting and technical and backstage roles in live music and performing arts, specialist design skills, heritage and contemporary craft skills, archaeology skills, conservation, graphic design and digital skills. HE and CPD are not fully equipping people with the technical expertise needed by employers.

The UKCES *Sector Skills Assessment* for the ICT sector also identified the following specific skills priorities that need to be addressed:

- It is important to address the supply of new entrants into the sector, ensuring that there is a sufficient and ongoing pipeline of talent and a broad and diverse enough recruitment pool for employers.
- Security and data protection skills across all occupations in the sector are a critical area for immediate action, along with the need to address the technical skills gaps and shortages within Professional occupations.
- There are increasing needs for business and interpersonal skills across most occupations.

¹⁸ *Sector Skills Assessment 2012: Information and Communication Technologies*, UKCES, October 2012. And *Creative Media and Entertainment Sector Skills Assessment 2012*, Creative Skillset and Creative & Cultural Skills, UKCES, October 2012.

Figure 6: Skills and Workforce “PESTLE” Analysis of the Digital & Media Sector

<p>Policy / Political</p> <p>“Digital and creative industries” has been identified a key growth sector by Governments across the UK.</p> <p>Creative Media and Entertainment is expected to be one of the highest growth sectors across the UK, behind only construction and hospitality / leisure / tourism.</p> <p>Government efficiency and reform measures, as well as the approach to migration policy are considered to be important in terms of their impact on skills and employment in the ICT sector more generally.</p> <p>There are differences across the UK national administrations in terms of the priority assigned to ICT sector in economic policy and the extent to which policy drives demand for services through initiatives such as digital inclusion.</p>	<p>Technological</p> <p>Technology (along with the economy and cyber security) is considered to be one of the main drivers of change in the digital media sector. It drives change from within through innovation, research and development, but is also driven by businesses who are looking to use technology in smarter and more productive ways. The sector is also increasingly driven by growing levels of innovation and co-production with users and customers.</p> <p>In wider ICT terms, “tech savvy” consumers are constantly looking to harness the pervasive power of computing in their daily lives. Specific technologies with important skills implications in ICT generally are: cloud computing; social and mobile computing; “big data”, smart computing, analytics; and security and data protection. The convergence of communications and IT, and real world web are also considered to be important technological drivers of change.</p>
<p>Economic</p> <p>About 1 million people are employed in the Digital Media sector. The main hub is London, but there is also a significant cluster in the South East. Employment in the sector is forecast to grow in line with the overall economy, but with most jobs in higher level occupations. Skills gaps overall in the workforce are the lowest of any sector. Competition within the UK and abroad is intense and the marketplace is becoming more global.</p> <p>The Information and Communication Technologies sector more generally makes up 7.4% of the UK economy, and is one of the most productive at £83,000 per job (almost twice the UK average for all sectors). 83% of business have been two and nine employees. The workforce accounts for 3% of total UK employment. General economic conditions are seen as one of three major drivers of change in the sector (alongside technological change and cyber security).</p>	<p>Legal / Regulatory</p> <p>Government has often supported the development of the Digital Media sector, given its potential as a driver of economic growth. On the other hand, regulatory and legal pressures are also seen as impacting negatively on the sector. These include pressures on funding of the BBC, “legislative creep” and increasing regulation.</p> <p>International and national regulation are considered to be important drivers of change to the ICT sector as a whole, although not as important as factors like technological change and overall economic conditions.</p>
<p>Social</p> <p>The employment model in Digital Media is unusual: 31% are self-employed (14% across the wider economy), and many people work unpaid or operate below their potential before securing permanent / appropriate employment. The sector under-utilises segments of the available labour pool, including older women.</p> <p>The ICT sector more generally is distinctive in that it employs high numbers of people with very specialised skills: 45% of the digital media workforce is in an associate professional / technical role, compared with 19% across the workforce as a whole, and the vacancy rate for this group is higher than average.</p>	<p>Environmental</p> <p>There is potential for the development of greener technologies and ways of working that harness digital and media technologies.</p> <p>There is also potential to expand markets in response to consumer demand and government policy shaped by environmental issues.</p>

Annex (iii): Sector Skills – Arts & Creative Industries

Figure 1: Key Statistics – Arts & Creative

	Sector	All inds		Sector	All inds
Enterprises 2013	670		Change in empl 2008-2013	+100	
Employment	2,800		% Change	+2%	+1%
Employment as % of all inds	1%		Forecast change in empl 2013-2022	+200	
			% Forecast change	+8%	+6%
% microbusinesses (0-9 empl)	95%	88%	% empl in microbusinesses (est)	52%	35%
% medium/large (50+)	1%	2%	% empl in medium/large (50+)	34%	40%

Sources: Employment stats - ONS BRES 2013. Rounded to nearest 100. Enterprise stats – ONS UK Business Counts 2014. Rounded to nearest 5. An Enterprise is the smallest combination of legal units (generally based on VAT and/or PAYE records) which has a certain degree of autonomy.

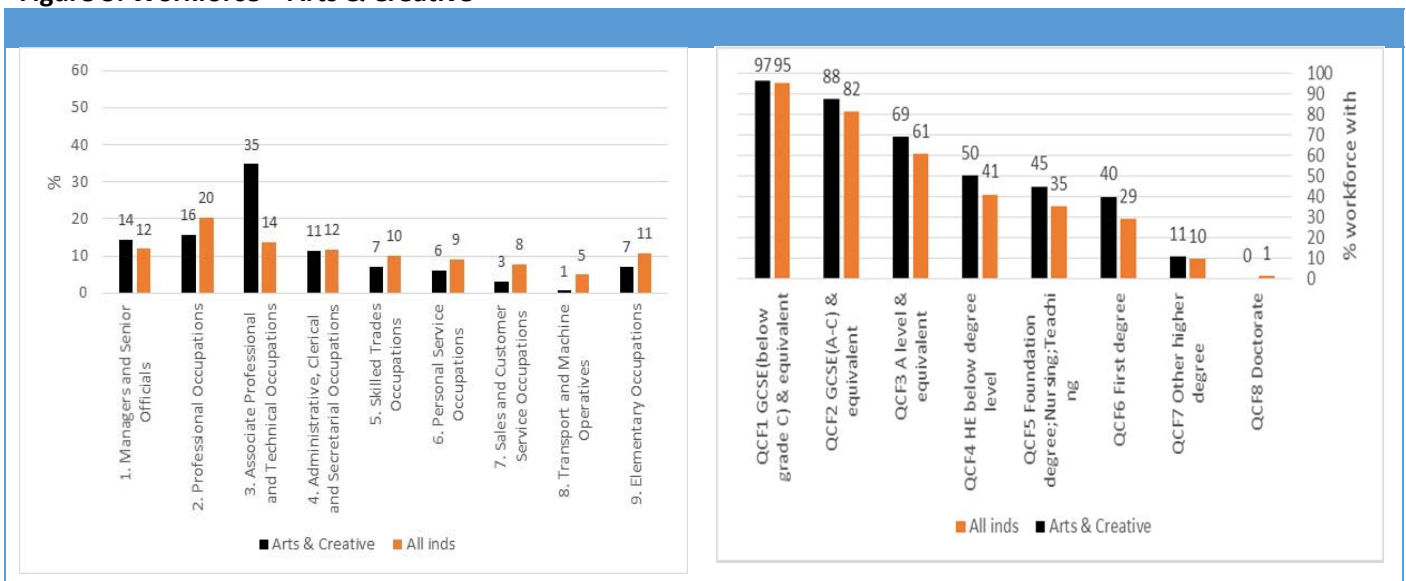
Figure 2: Local Concentrations – Arts & Creative

	Ashford	Canterbury	Dartford	Dover	Gravesham	Maidstone	Sevenoaks	Shepway	Swale	Thanet	Tonbridge & Malling	Tunbridge Wells	KCC	Medway UA	Kent & Medway	SELEP
Employment LQ	0.5	1.4	0.5	1.5	0.4	1.1	1.3	1.2	0.5	0.5	0.3	0.8	0.8	1.1	0.8	0.9
Employment	200	500	200	300	100	500	400	300	100	100	100	200	2,300	500	2,800	8,400
Businesses	60	60	20	40	20	65	85	40	35	35	60	105	615	55	670	1,670

Sources: Employment stats - ONS BRES 2013. Rounded to nearest 100. Enterprise stats – ONS UK Business Counts 2014. Rounded to nearest 5. Location Quotients (LQ) calculations based on ONS BRES 2013.

Notes: Location Quotients are an Index of how much employment in a sector would be expected if the sector profile matched that of the UK. A value of 1.5 would indicate there is 50% more employment than expected. A value of 0.5 would indicate that there is half the employment expected.

Figure 3: Workforce – Arts & Creative



Source: UKCES Working Futures 2012-2022, IER estimates c132

Workforce Skills Evidence Base

Notes: Based on figures for South East England.

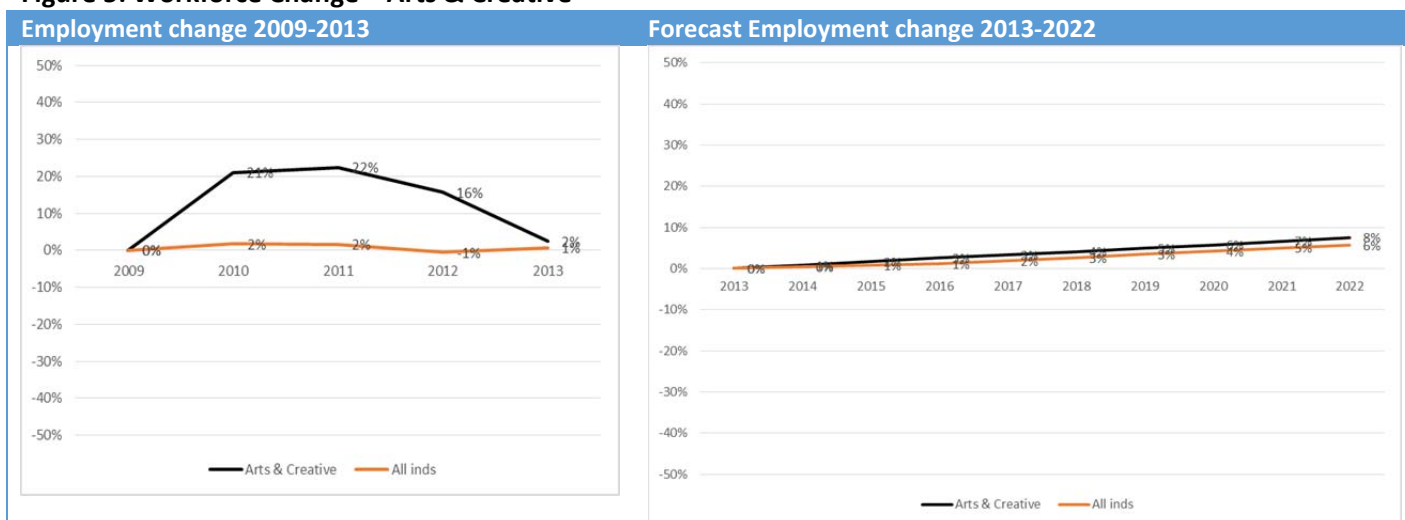
Figure 4: Workforce Detailed Occupations – Arts & Creative

Occupation	Sector %	Est. empl
11 Corporate managers and directors	4%	100
12 Other managers and proprietors	11%	300
21 Science, research, engineering and technology professionals	3%	100
22 Health professionals	2%	100
23 Teaching and educational professionals	2%	<100
24 Business, media and public service professionals	9%	300
31 Science, engineering and technology associate professionals	<1%	<100
32 Health and social care associate professionals	<1%	<100
33 Protective service occupations	1%	<100
34 Culture, media and sports occupations	30%	800
35 Business and public service associate professionals	4%	100
41 Administrative occupations	7%	200
42 Secretarial and related occupations	3%	100
51 Skilled agricultural and related trades	3%	100
52 Skilled metal, electrical and electronic trades	2%	<100
53 Skilled construction and building trades	<1%	<100
54 Textiles, printing and other skilled trades	2%	<100
61 Caring personal service occupations	2%	100
62 Leisure, travel and related personal service occupations	4%	100
71 Sales occupations	2%	<100
72 Customer service occupations	1%	<100
81 Process, plant and machine operatives	<1%	<100
82 Transport and mobile machine drivers and operatives	<1%	<100
91 Elementary trades and related occupations	<1%	<100
92 Elementary administration and service occupations	6%	200
Total	100%	

Source: UKCES Working Futures 2012-2022, IER estimates c132.

Notes: Percentage figures for South East England. Local employment estimates derived by Emergent Research & Consulting Ltd.

Figure 5: Workforce Change – Arts & Creative



Source: Employment change - ONS BRES 2013. Employment Forecasts UKCES Working Futures 2012-2022, IER estimates c132

Notes: Forecasts based on figures for South East England. Historic figures % change based from 2009. Forecast % change from 2013.

Sector definition used in statistics

SIC 91 : Libraries, archives, museums and other cultural activities

SIC 92 : Gambling and betting activities

Analysis of the Arts & Creative Sector

1. Key Messages from the Sector Dashboard

- It should be noted that the sector dashboard does not include broadcasting and digital media which are covered by a separate dashboard which can be read in conjunction with this one.
- The Arts and Creative sector is small in employment terms, accounting for only 1% of all employment in Kent and Medway. Micro-businesses predominate, making up 95% of companies (compared with only 88% for the economy as a whole). While employment is expected to grow in coming years, the scale of this growth is small, and is expected to be in the low hundreds.
- Arts and Creative sector employment form a larger than average proportion of the workforce in Canterbury and Dover (the latter presumably related to the District's museums and historic buildings including Dover castle). However no individual District or Borough has more than 500 jobs in the sector (as defined here – excluding digital media and craft manufacturing for example).
- The most common broad occupational category in the sector is Associate Professional and Technical Occupations. These account for 35% of employment in the sector, as opposed to 14% of employment for the economy as a whole. The sector workforce is better qualified in terms of level than the workforce as a whole, especially in terms of Higher Level skills (Level 4+).
- The numbers of people employed in the sector have remained largely static in recent years, but are expected to rise by around 8% from 2013 to 2022 (compared with 6% for the economy as a whole).

2. Sector Issues highlighted in National Research

Research by Creative and Cultural Skills, the sector skills representative body for the arts and creative sector provides the most up-to-date national assessment of skills and workforce issues affecting the sector.¹⁹ It should be noted that the sector focus of Creative and Cultural Skills includes media and broadcasting which we have covered more directly in the Sector Dashboard for the Digital & Media sector. **Figure 6 (overleaf)** summarises some key points from the analysis using the “PESTLE” analytical framework, with some additional input from Emergent Research's recent experience of the sector.

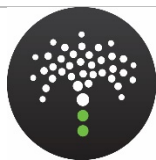
The report concludes that:

- The intersection between the digital world and the creative industries will depend on a workforce that is recalibrated to mix creativity with technical coding and programming skills, as well as knowledge of STEM subjects.
- In the current climate of public funding, the growth in the base of self-employed workers is an important factor to consider in skills planning, which has been reported for some time but will increasingly require a workforce equipped to operate independently and in entrepreneurial ways.
- The need for professional skills, both for sole traders, freelancers and employees in larger businesses, is paramount as the sector responds to the economic climate. Having the capability to diversify income streams, reach new markets, undertake robust financial planning and respond to the changing demands of customers will be key in the next decade. The evidence also shows that in larger organisations, strong leadership skills and management capabilities are also vital to accommodate change.
- Higher level technical skills and knowledge will continue to be essential to the creative and cultural industries in the next decade. The creative sector needs people with a depth of technical skills; those who can ‘make and do’ as well as conceive ideas.

¹⁹ Creative & Cultural Skills, 2015 ‘Building a Creative Nation: The Next Decade’

Figure 6: Skills and Workforce “PESTLE” Analysis of the Arts & Creative Sector

<p>Policy / Political</p> <p>Much of the visual arts, museums and galleries, and to some extent, performing arts subsectors are reliant to some degree on public subsidy. Increased pressure on public funds at all levels of Government represent a significant challenge for the sector that can be seen as ‘discretionary’ spending.</p> <p>Cultural attractions and ‘the arts’ are respectively the first and third most commonly cited reasons for international tourists to visit Britain. There is a need to build and maintain the workforce and skills required to work on major events, tourist attractions and festivals. This requires skills (including health and safety related) in managing multi-art form events, tie-ins with digital possibilities.</p>	<p>Technological</p> <p>The creative industries are at a low risk of automation in terms of employment substitution. Nevertheless, a key driver of skills needs in the creative industries is the omnipresence of the online world in everyday life.</p> <p>Whilst to some extent the creative output of the arts may remain unchanged, the way we consume it are changing radically and there is a need for a new digitally embedded workforce that can new digitally embedded workforce will be needed (and is already formed to a great degree) in order to harness, promote and capitalise on it. These workers will need to understand data and analytics in ways that were not used before.</p> <p>There may also be new methods of project management in terms of the creation of digital content, related to creating more ‘live’ and constantly evolving projects, rather than single, static outputs.</p>
<p>Economic</p> <p>In response to the recession there has been a significant rise in self-employment across the economy and the creative industries have been no exception. Whilst ‘portfolio working’ has long been a feature of the sector and an enabler of more fluid collaborations, it is also a response to low wages. Self-employed people are also trading on the skills they have previously developed and have little to invest in training themselves or the next generation.</p>	<p>Legal / Regulatory</p> <p>Formal regulation is not a significant driver of change in the sector, although regulations around crowdfunding, Intellectual Property and different forms of online collaboration are evolving and will shape the environment in which the sector operates.</p>
<p>Social</p> <p>A recent major change for the arts and creative sector has been the development of the collaborative economy particularly through online platforms (such as the collaborative funding platform kickstarter or Etsy – which gives part time craft makers a marketplace for their goods).</p> <p>In terms of participation, these platforms are not only changing the content of what is being created, whether video games, investment for a play or music project, they also create a new relationship between previously passive consumers and the creative company or talent seeking funding. This has implications for the way in which the audience will consume culture in the future, with perhaps more of an expectation around a personal or bespoke experience or product.</p> <p>This new part of the economy is being forged in part by creative workers, specifically those that cross-over between technology and design, advertising and marketing. ‘T’-shaped skills (see Digital Media) and the ‘fusion’ of creative abilities with technical computer or STEM-based skills will be particularly vital to ensure that the UK remains able to exploit opportunities in this developing area.</p>	<p>Environmental</p> <p>Comparatively speaking, the sector is not one of the largest in terms of energy consumption or waste but the knowledge and skills to reduce carbon emissions need to be built into training for staff at all levels.</p> <p>Developments in the digital consumption of arts and culture (e.g. local live screenings of Covent Garden and RSC productions) can bring arts to new and wider audiences without significantly increasing their carbon footprint.</p>



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Adult Learning, Employment and Skills Strategy 2015 - 2018

Education and Young People's Services

October 2015





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Introduction

In 2013 KCC launched its 14 – 24 Learning, Employment and Skills Strategy that laid out our ambitions for the young people of Kent. This *Adult Learning, Skills and Employment Strategy* builds on this work and focuses on the education, training and employment of adults in the County. The importance of this strategy has become more apparent in recent months with the release of a number of national reports on adult skills and employment which highlight the future direction for adult learners, economic growth and employment.

The adult skills agenda has always been a priority. In 2014 there was greater attention given to adult skills, by a variety of stakeholders including government, educators and employers. There is considerable concern from all quarters that our adult population is insufficiently skilled to deliver the long awaited economic growth that is expected as we recover from recession and meet the needs of the economy in a more competitive global market. There is recognition that as well as improving the education and skill levels of young people, there is also a need to do the same for adults in order to fill the skills gaps identified. There is concern that a failure to increase the skill levels of our adult population will lead to higher levels of unemployment and under-employment, both of which are expensive, wasteful and socially divisive.

It is, therefore timely that an ambitious and aspirational Adult Learning, Employment and Skills Strategy is delivered across Kent for 2015-18

‘.....there is no more important issue facing our economy than getting the education and skills system right – it is crucial to cementing recent improvements in growth sustainably over the longer term. It’s essential we build the right skills base if we are to support a rebalancing towards those high-value, high-skill activities that will underpin our role in the global marketplace.’ Confederation for British Industry, 2014

In addition to the compelling case for skills for economic growth, adult learning and skills can make an important contribution to equality, social inclusion, community cohesion, health and wellbeing and thereby the strategy contributes to other ambitions of Kent County Council and its partners.

Adult Skills Datapack

This Strategy should be read in conjunction with the Kent Adult Skills Datapack that is available online at <http://www.kelsi.org.uk/skills-and-employability/14-to-19-25-curriculum-pathways/district-data-packs>. The Datapack follows a similar format to the existing District 14-24 Datapacks produced by the KCC Skills and Employability Service. The Adult Skills Datapack contains information about the current skill levels of the adult population in Kent, explains the current provision of skills training in the County and outlines the skill requirements of the local economy.



Purpose of the Strategy

The purpose of this Strategy is to set out our ambitions for the skills and qualifications of the adult population of Kent that all local providers of education and skills can aspire to and achieve by working in partnership. The Strategy is supported by all the relevant stakeholders, as an over-arching strategy for Kent to improve provision and outcomes.

Kent County Council contributes to the Strategy through some of its services as well as providing a strategic overview and facilitating collaborative activity between education providers, training providers and employers.

Ambition and Vision

The overarching ambition for Kent providers is to maximise adult participation in training and learning in order to achieve economic growth, full employment, social inclusion, community cohesion, health and wellbeing.



The vision is for Kent to be a place where lifelong learning enables all of its citizens to enjoy life, take part in society and have the skills for sustainable and productive skilled employment.

Strategic Framework

The Strategy is built around the following objectives to:

- increase adult employment in Kent
- improve the education and the skill levels of the adult population of Kent
- provide pathways, such as apprenticeships and re-training opportunities, to enable people to take up employment in priority sectors

- increase participation in learning and employment amongst priority groups, in isolated communities, and deprived neighbourhoods; and including vulnerable adults such as those with disabilities.

These objectives respond to the national and local challenges, and the framework closely mirrors the four key themes in the 14-24 Learning, Employment and Skills Strategy which are:

- Participation and Youth Employment,
- Achievement and Attainment,
- Vocational Education and Apprenticeships and
- Support for Vulnerable Learners.¹

¹ '14-24 Education, Learning & Skills Strategy 2013-2016

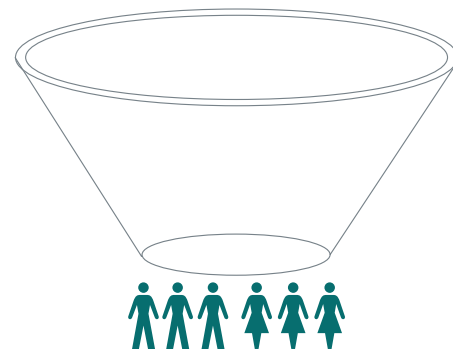
Adult Learning and Skills - The Challenges We Face

Ten years ago Lord Leitch commenced his investigation into the skill levels of the adult population of the UK. The final report, published in 2006², alerted government, politicians, educators and employers to the need to rapidly improve adult skill levels in order to retain our competitiveness in the global economy. The review made the following proposals: investing in skills training to reduce the proportion of adults without the equivalent of level 2 qualifications (31% in 2005, 7million adults); shifting the balance of intermediate skills to Level 3, with an increase in apprenticeships to over 500,000; broadening the ways to achieve Level 4 other than via a university degree; and engaging employers more fully in skills training.

Nine years later and these messages have been repeated and updated in a number of reports that have been published in 2014, by, amongst others, the Confederation of British Industry³, the Federation of Small Businesses⁴, the UK Commission for Employment and Skills⁵, and the National Institute for Adult Continuing Education⁶. For the purposes of this Strategy, the most significant of this year's reports was produced by the Centre for Economic and Social Inclusion for the Local Government Association (LGA)⁷. This report repeats Lord Leitch's concerns, and illustrates clearly the potential loss of economic growth that will result from a failure to improve the skills of the adult population.

The LGA report 'Realising Talent' predicts that, by 2022, 9.2 million people with skill levels at level 2 and below will be chasing 3.5m low skilled jobs, a gap of 5.5 million people who will have a high risk of unemployment or under employment. This represents a huge level of spare capacity and human capital in the economy. This also needs to be considered alongside the low levels of productivity in the UK, compared to international competitors, which are also partly due to skills gaps and lack of training in work.

9.2 million people with skills at or below Level 2



3.5 million low-skilled jobs

At the other end of the skill spectrum, it is predicted that there will be 14.8 million high skilled job roles, but only 11.9 million people sufficiently qualified to fill them - a gap of 2.9m people.

The report concludes that we need to increase the skill level of the working population from the current national average of level 2.3 (just above 5 GCSEs) to level 3 (A level and Technical Vocational and Higher Apprenticeship equivalent).

The CBI adds to this ambition, declaring that we need 'alternative escalators to high skills', combining work and high level skills training.⁸



² 'Prosperity for all in the global economy – world class skills' Leitch Review of Skills, Final Report (December 2006)
³ 'Gateway to Growth', the CBI Education & Skills Survey (2014)
⁴ Small Business Index, Q2 2014. Federation of Small Businesses
⁵ 'Precarious Futures? Youth unemployment in an international Context'. UKCES. June 2014

⁶ NIACE Adult Participation in Learning Survey (2014)
⁷ 'Realising Talent: employment and Skills for the future', a report for the Local Government Association. Centre for Economic and Social Inclusion.(July 2014)
⁸ 'Gateway to Growth', the CBI Education & Skills Survey (2014)

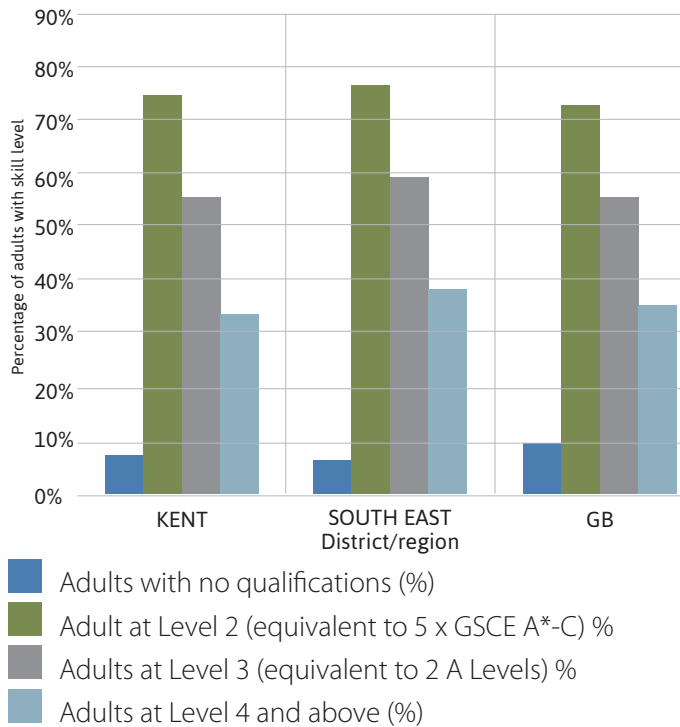
A Skills Portrait of Kent

Up to Level 3 the people of Kent do better compared to their contemporaries in many parts of the UK, having skill levels slightly above the national average. However, they do less well in comparison to Kent’s neighbouring local authorities in the South East region (See table 1) , and at Level 4 and above

Table 1. Adult Skill Levels⁹

	Adults with no quals %	Adults at Level 2 (Equivalent to 5 x GCSE A*-C) %	Adults at Level 3 (Equivalent to 2 A Levels) %	Adults at Level 4 and above. %
Kent	7.3	74.6	55.4	33.6
South East	6.5	76.5	59.3	38.3
GB	9.3	72.5	55.8	35.2

Adult skill Levels



This picture is mirrored in the unemployment figures for 2014, with Kent unemployment being below the national average but above the South East average. The number of unemployment claimants aged 16-64 is 16,162 in Kent equivalent to 1.8% of the population, compared to 1.3% in the South East, and 2.2% nationally.¹⁰

This Strategy sets out an ambition for Kent to match and exceed its South East region neighbours at all skill levels so that Kent has one of the most educated and skilled workforces in the Country.

Employment and skills is a key driver of local economic growth: *a motivated, flexible and skilled workforce attracts employers and boosts productivity* (LGA).

A significant aspect of Kent’s economy is the significant number of Small and Medium sized businesses. In Kent, 84% (61,000) businesses have fewer than ten employees and there are only 790 firms with more than 100 employees.¹¹

61,000 Kent businesses



790 Kent businesses



⁹ ONS Annual Survey (2013)

¹⁰ Kent Unemployment Bulletin. Kent County Council. October 2014

¹¹ The State of the Kent Economy. Research & Evaluation, Business Intelligence. Kent County Council. June 2014

The federation of Small Businesses recently highlighted that skill shortages act as a significant barrier to growth for small businesses.¹² It is important that providers pay due regard to the needs of small businesses and apply the necessary additional efforts to communicate with the small business sector. This will require introducing mechanisms, such as the development of 'Guilds' (already created for the catering industry in Kent) which bring together small and medium sized employers in a given sector.

Adult Skills for Economic Growth

Research indicates that there is a strong relationship between skills and productivity. Any shortfall in the qualifications needed for the future will, potentially, lead to a shortfall in productivity and economic growth. The LGA report calculates that, by 2022, between 16% and 25% of growth could be lost, amounting to £375 billion, if we do not address the skills gaps described.

Importantly for this strategy, both the Leitch Review (2006) and the LGA report (2014) point out that it will not be sufficient to rely on schools and colleges, through continuing to improve the skill levels of young people entering the labour market, to achieve the necessary improvement in skills. We must do something about the adult population as a whole.→

Achieving a step change in qualification levels is not possible by relying on ever better qualified young people – adults already in the workforce will need to continue to attain higher qualifications [LGA]

This need is exacerbated as the average age of the workforce is increasing as the numbers of adults aged 50-64 remain in work. There has been an increase of over 2 million people in this age group since 2000 to 7.7 million people. The average age of the workforce has recently increased to over 40.

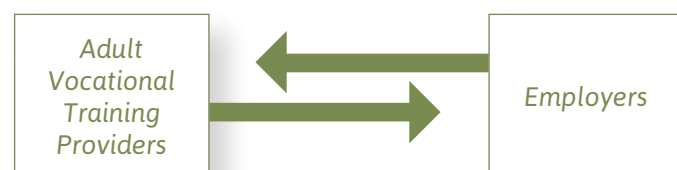
Kent will be more reliant on our adult workforce to deliver the economic growth we need. It will primarily be adults' skills and capabilities that will either deliver or constrain growth. [LGA]

A recent CBI report underlines the need for a more age inclusive skill system stating 'We need to ensure people of all ages can learn and aren't discouraged from improving their skills by the system'¹³

Adult Skills Provision - Responsive to Employers

As well as increasing the volume of skills training available to the adult workforce, **it is important to teach the right skills in the right sectors, so the impact on productivity and employment is maximised.**

Lord Leitch recommended that there should be a 'focus on economically valuable skills and demand led skills, responding to employer needs'. This view was echoed more recently by the Commission for Adult Vocational Teaching and Learning¹⁴ which determined that adult vocational training should have 'a clear line of sight to work' requiring 'a two-way street' with employers.



The requirement to link skills training with economic needs is perhaps best illustrated in the STEM sector, which is a subject of concern for the CBI:¹⁵

Science, technology, engineering and maths (STEM) skills underpin innovation and the UK's ability to compete successfully in high-value, high-growth sectors. Demand for these skills is rising strongly as economic recovery takes hold. This is already causing a rise in the proportion of businesses reporting current difficulties in recruiting technicians and experienced staff with STEM skills. And the shortage problems are expected to intensify in the coming years. There is an urgent need to improve the supply of STEM-skilled people if economic growth is not to be held back. [CBI, Gateway to Growth 2014]

The need for education and employers to work closer together is a common theme that runs through all of the reports listed - and also from Ofsted in its annual review of the FE sector.

¹² Federation for Small Business

¹³ 'A Better off Britain: Improving lives by making growth work for everyone'. CBI. November 2014

¹⁴ 'It's About Work : Excellent adult vocational teaching and learning'. Commission on Adult Vocational Teaching and Learning (2013)

¹⁵ 'Gateway to Growth', the CBI Education & Skills Survey (2014)

*Training providers need to ensure that vocational provision is better matched to the needs of local businesses and communities.*¹⁶

The LGA report calls for ‘more local responsiveness . . . a more agile and responsive skills and employment system’. This Strategy aims to respond to this need by identifying those sectors in Kent where skills training will facilitate economic growth and increased employment. This requires using labour market information to determine where local jobs will become available and to engage employers in the design of training. It also provides the opportunity to develop centres of excellence for particular sectors on a regional basis (such as NWK College’s provision for the Maritime sector), potentially exploiting LEP funding.

The CBI has recently underlined this concern regarding the lack of relevant skills training, pointing out that ‘we train five hairdressers for every vacancy in a salon, yet only two people for every five jobs in the automotive industry’. In the same report they conclude that:

*We must build a vocational education system that better adjusts to the changing needs of our economy and rewards provision that helps people find a job instead of simply rewarding institutions based on the number of people taking a course.*¹⁷

In short, employer engagement, by necessity, is an integral part of our Strategy for Adult Learning, Skills and Employment.

Impact of Unemployment

Unemployment is costly to individuals and to wider society in a variety of ways. In 2014, 4,475 young Kent adults aged 18 to 24 were claiming Job Seekers Allowance. Although this represents a considerable fall from over 8,000 young adults five years ago, the cost to DWP in benefits alone still exceeds £12m per annum.

Added to this is the cost of lost tax revenue that would have resulted had these young adults been gainfully employed. The average annual taxation of an employee returning to work is £9800. If 18-24 year olds could pay only half that amount the ‘fiscal disbenefit’, the lost tax revenue, of 4,475 young adults equates to over

£22million. Young adults aged 18-24 account for 25% of claimants and, of course, similar costs can be attributed to older unemployed adults, which means these sums can be quadrupled.

From an industry point of view, unemployment should be seen as unused capacity, a waste of human capital that could otherwise contribute to productivity – if the right training and skills opportunities were made available.

As well as the impact of unemployment on productivity and growth there are also the social costs that place additional pressures on local government and other local services, such as health services.

Unemployment in Kent

In Kent unemployment is below the national average but above the South East average. The number of unemployment claimants aged 16-64 is 16,162 in Kent equivalent to 1.8% of the population, compared to 1.3% in the South East, and 2.2% nationally.¹⁸

All parts of Kent have not benefitted equally from recent economic growth and as a result, there is also considerable District variation in unemployment from 0.9% in Sevenoaks to 3.9% in Thanet. Like other parts of the South and South East, seaside towns and thereby, Coastal Districts, have fared less well than their neighbours.

Of 67 Districts in the South East, only 9 have unemployment above the National Average [September 2014 figures]. Five of these are in Kent. Notably, the other four are all Coastal Districts, (Hastings, Eastbourne, Havant and Medway).

Although unemployment in Kent as a whole is below the national average, both youth unemployment and adult unemployment levels in five Districts remain above the national averages (young people aged 18-24 at 3.7%, and Adults at 2.2%). In Dover these figures are 4.9% and 2.2%, Gravesend (4.2% and 2.3%), Shepway (4.6% and 2.4%), Swale (5.4% and 2.2%) and Thanet (7.8% and 3.9%).

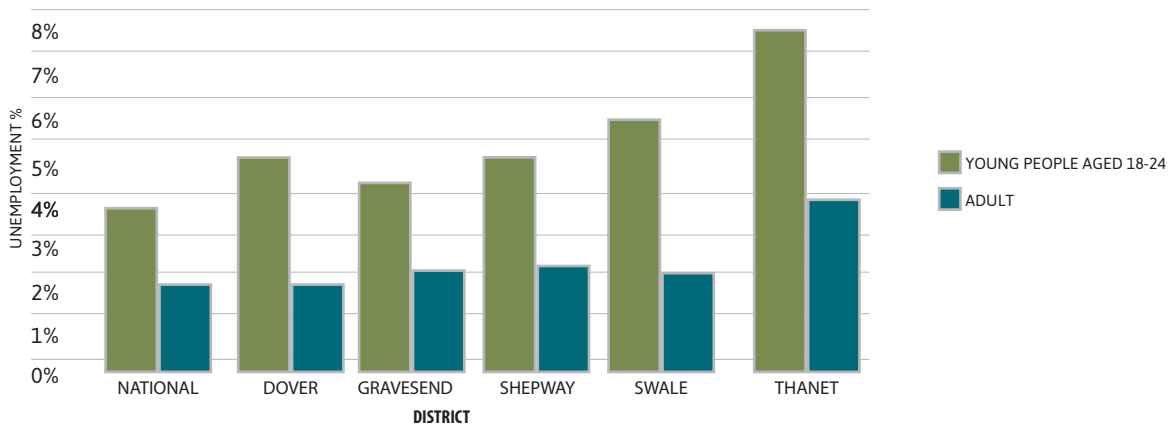
And within each District there is variation, as unemployment is concentrated in a handful of wards. There are also some localised pockets of unemployment

¹⁶ Further Education and Skills. Sector Report. 2012/13. OFSTED

¹⁷ ‘A Better off Britain: Improving lives by making growth work for everyone’. CBI. November 2014

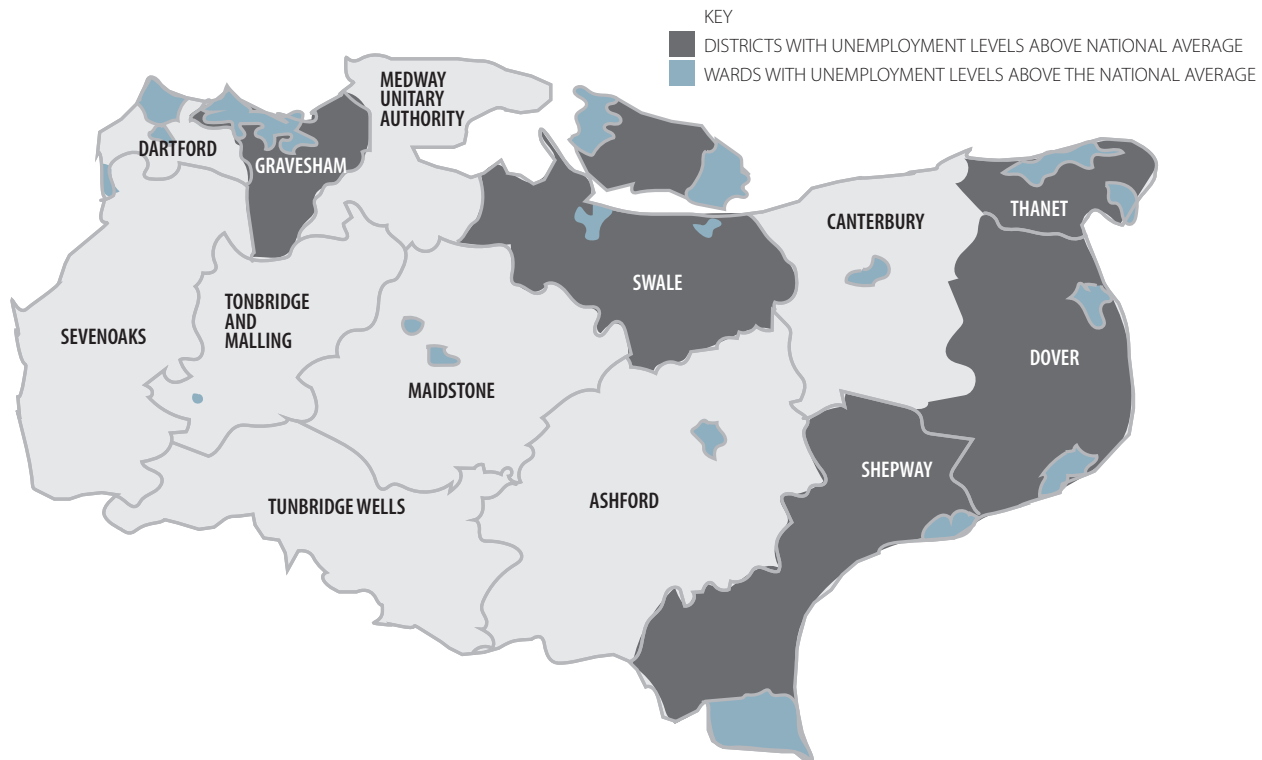
¹⁸ Kent Unemployment Bulletin. Kent County Council. October 2014

Adult skill Levels



and below average qualification levels, at ward level, within Districts that appear to be doing well. For example, Stanhope in Ashford, Joyce Green in Dartford, Parkwood in Maidstone, Swanley St. Mary's in Sevenoaks and Trench

in Tonbridge all have claimant counts significantly above the national average. This means there is a need to target resources at ward and neighbourhood level.



It is clear that a reduction in unemployment and an increase in adult skill levels will only be achieved with particular targeted effort in the five Districts and other localities described above.

The LGA report proposes that the Department for Business, Innovation and Skills (BIS) and the Department for Work and Pensions (DWP) jointly place more emphasis on upskilling unemployed adults. It concludes that Local Authorities 'need a wide acceptance that ...the effectiveness of employment and skills support is critical to developing local economies and to reducing the social costs of unemployment and poverty' It proposes a more co-ordinated approach between agencies at local level.¹⁹

For this reason KCC works in partnership with DWP and training providers to address unemployment, particularly of young adults, and is developing a Social Impact Bond to address this issue.

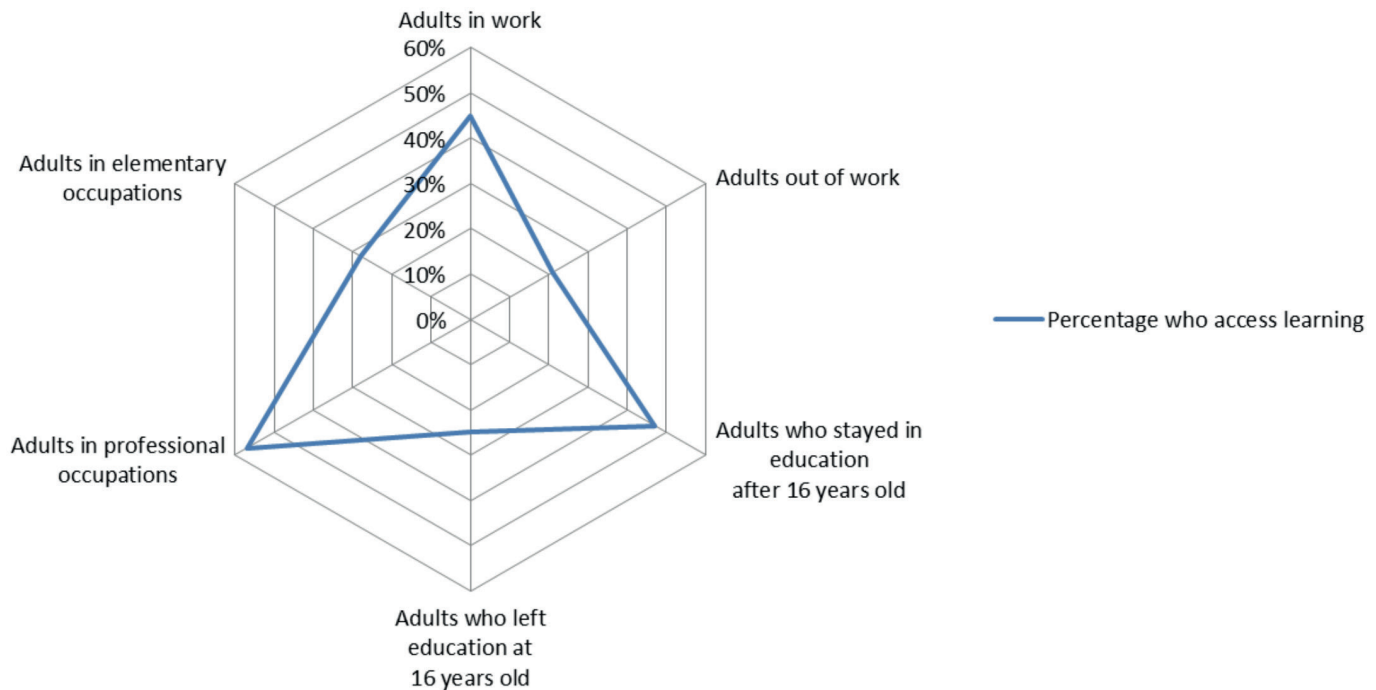
Meanwhile, disabled people, including those with learning difficulties, and adults with mental illness continue to be under- represented in the workforce. In terms of equality and social justice this is unacceptable – but it also represents an under- used resource and, often, an unnecessary cost to society. There is a compelling case to support more disabled adults into the workplace. The work of Kent Supported Employment (KSE) and its partners will continue to address this imbalance.

More Equal Access to Learning

THE NIACE survey of Adult Participation in Learning determined that 'engagement in learning is not evenly distributed across society'²⁰. The survey shows that participation in learning is determined by social class, employment status, age and prior learning.

Adults in work are more likely to access learning than those out of work (45% compared to 21%); adults who

Percentage of Adults in Kent who Access Learning



¹⁹ Realising Talent: employment and Skills for the future, a report for the Local Government Association. Centre for Economic and Social Inclusion.(July 2014)

left school at 16 are less likely to attend future learning than those who stayed on, even for a short time (25% and 47% respectively); and adults in professional occupations are more likely to participate than adults in elementary occupations (57% versus 28%).

This has implications for this Strategy. It determines a need for targeted work, including distribution of resources, towards those groups who are currently not participating in learning and training. This will include a call to providers for some geographical targeting at neighbourhood level and for specific work with under-represented groups. Community Learning has a role to play in engaging adults that might otherwise be excluded from learning. This 'second chance' education is an end in itself and has proven benefits for the health and wellbeing of its participants. In providing basic training in numeracy and literacy, family learning and neighbourhood projects, Community Learning also provides the first rung of the skill training ladder for adults that might otherwise stagnate in their learning.

This Strategy includes a priority to meet the needs of people with a learning disability, autism, sensory loss and mental health issues to participate in training and learning, not only to achieve suitable employment but also for social inclusion, health and wellbeing.

In the interests of social justice, equality and the economy it is important to include all adults in the skills agenda and this will require targeted work and additional support for some groups of adults.

As low skilled employment opportunities decrease there is potential for adults with disabilities or mental illness to be further squeezed out of opportunities for independence. Providers need to recognise this and continue to provide learning opportunities as well as encouraging employers to engage with these vulnerable people.

Drivers for Change

The changing nature of work arising from rapidly developing technologies and globalisation has created a pressing and urgent need to improve the skill levels of the UK workforce.

There are already significant gaps in the skill requirements of the economy and the skill levels of the adult population which cannot be addressed simply by improving the abilities of young people entering the workforce from school. Upskilling and retraining the existing workforce is vital if we are to gain the benefits of growth arising from the economic recovery and the opportunities available in a global market.

Failure to improve skill levels will certainly lead to more unemployment in the medium to longer term which, as has been demonstrated, is both wasteful, costly and socially divisive. It is therefore important to engage with adults at all stages of learning. The role of basic skill training and engagement in learning is fundamental.

A considerable amount of resource is invested in adult learning. In order to maximise the effectiveness of this resource there must be co-ordination at a local level requiring collaboration between providers. This Strategy has as a key priority the importance of engaging employers in adult vocational education and training. Such training should have 'a clear line of sight to work'.

In addition to the requirements of a growing economy for more and better skills another driver for change is social inclusion. It is apparent that the levels of financial returns, - wages and salaries - for low skilled and high skilled workers are polarising, leading to greater inequality. Community Learning has a role to play in engaging with those communities and vulnerable groups that might otherwise suffer from such potential inequality.

The Key Performance Indicators within this Strategy focus on these key issues or drivers for change.

²⁰ NIACE Adult Participation in Learning Survey (2014)

The Local Enterprise Partnership (LEP)

South East Local Enterprise Partnership



The Heseltine Review 2012²¹ recommended that resources for economic development and regeneration were devolved to local level and Local Enterprise Partnerships were created as the vehicle to manage this process. Kent is part of the South East LEP that includes Essex, East Sussex and three Unitary Authorities (Medway Thurrock and Southend).

Importantly for this Strategy LEPs have been given responsibility for distributing the next round of the European Social Fund. In the South East LEP £82.5 million of revenue funding is available to support employment, social inclusion and skills for the next six years to 2021. Kent's share of this fund based on population of the six Local Authorities amounts to a nominal sum of approximately £30m.

A considerable amount of work has been undertaken by officers from the various local authorities to determine the priorities and criteria for this funding. This Strategy takes account of the work already undertaken by the LEP and the Key Performance Indicators set out at the back of this strategy are aligned with the priorities of the South East LEP.

²¹ 'No Stone Unturned - In Pursuit of Growth'. The Rt Hon Lord Heseltine [October 2012]

Key Partners

We recognise that this Adult Learning, Skills and Employment Strategy can only be delivered by working in collaboration with all stakeholders, which include the partners listed in the table below:

Table 2: Partner organisations and funding bodies

FE Colleges	Schools	Training Providers (inc. those outside KATO)	UK Commission for Employment and Skills
Community Learning Providers	Job Centre Plus (DWP)	National Careers Service	Business sector organisations (e.g. Chambers, FSB)
Recruitment Agencies	Sector Skills Councils	Skills Funding Agency	Voluntary and Community Sector
District Councils	Infrastructure bodies (e.g. Locate in Kent)	Strategic Bodies (e.g. ELS Partnership Board, LEP)	Universities
Employers			

As has been described employers’ organisations (CBI, FSB), research bodies (UKCES), and educational bodies (CAVTL, Ofsted) have each recently called for a stronger relationship between employment and education; ‘earning and learning’; skill training with a ‘clear line of sight to work’; and a ‘two way street’ between training providers and employers.

Any collaborative models that are developed in the County need to include the substantial involvement of employers and employer representative groups. This Strategy includes a key priority to improve the engagement of all providers and partners with employers to involve them fully in the skill training infrastructure.

The current drive from central government is for employers and individuals to shoulder some of the burden of training – hence increasing the use of adult loans and a reduction in the skills budget, despite calls from employer organisations for more and better skills.

It is vital that employers understand the requirement for them to contribute to skills training with finance and resources.

Adult Learning, Skills and Employment Strategy Framework and Key Performance Indicators (KPIs)

Context – Recent Developments

In February 2015, during the period of consultation for this Strategy, the Skills Funding Agency announced a reduction in the Adult Skills Budget of 17%. Within this, Apprenticeships are ring fenced and protected, so for the remainder of the Adult Skills Budget this represents an effective cut of 24%.

At the same time the Department for Business Innovation and Skills (BIS), and subsequently the Skills Funding Agency (SFA), have expressed concern at the quantity and quality of subcontracting by SFA contract holders and have placed additional requirements on these arrangements.

Both of these announcements have potential for a serious adverse impact on adult skills provision in the County. To mitigate we aim to ensure that providers:

- collaborate and co-ordinate their offer;
- encourage larger employers to fund or otherwise resource training;
- and encourage adult learners, through co-ordinated marketing, to utilise adult loans

Context – Vocational Qualification Review

In response to a series of reports that have reviewed the quality of vocational qualifications (Wolf 2011, CAVTL 2013, Richards 2013, Whitehead 2014), such qualifications, including adult vocational qualifications are currently undergoing significant change.

The number of qualifications has been reduced and there is a focus on ensuring greater relevance to the workplace, 'a clear line of sight to work'. This is consistent with the demand for employers to be more engaged with the design and delivery of skills training. The range of new qualifications becoming available are designed to provide better quality and more work related vocational pathways, that are more accessible to more learners. This could transform vocational learning in this country. Our priority is to ensure these new opportunities are widely available across Kent.



Priorities and Key Performance Indicators

The following framework and Key Performance Indicators (KPI's) forms the basis of the Strategy against which a three-year Action Plan and Annual Work Programmes will be developed, in consultation, and subsequent collaboration with key partners.

The Strategy outlines the key priorities and what we aim to achieve. This has wide agreement among all our partners and stakeholders. A more detailed action plan will set out how we will achieve our objectives, which we will develop with partners between May and September 2015.

Priorities

1. Reduce Unemployment

Activity to reduce unemployment is centred on Job Centre Plus, the key agency that works with unemployed people, to provide benefits but also to support adults back into employment. Job Centre Plus delivers projects to this end, largely funded by the Flexible Support Fund provided by DWP.

There is also much activity taking place in FE Colleges and with other training providers to provide adults with the tools, such as basic skills, job-search skills, self-confidence and self-presentation, to obtain employment. It is important that this valuable work is co-ordinated to gain the maximum impact on unemployment

The work undertaken in schools and colleges with 16-18 year old students, and the related work for NEET young people and those at risk of NEET has an important contribution to make to reducing unemployment further down the line.

Recently, the KCC Skills and Employability Service, JCP and several training organisations worked together to deliver short term engagement programmes specifically targeted at 18 year olds claiming Job Seeker's Allowance. These pilots successfully moved many of the participants into work and the evidence from the pilots is being used, alongside other projects, to support an application for a Social Impact Bond to combat Youth (18-24) Unemployment.

The concentration of unemployment in the Coastal Districts and some other wards in other Districts will require targeting of the work.

The ambition is to reduce unemployment in Kent to at least levels commensurate with our neighbouring Local Authorities in the South East and to achieve this it will be necessary to reduce unemployment to below national levels in the Coastal Districts. This ambition is reflected in two separate KPIs.

Reduce unemployment KPIs

KPI.1.1

Reduce adult unemployment in Kent to at least match and or decrease to below the South East Average.

Baseline: [June 2014]: National 2.4%. South East 1.4%. Kent 2.0% Source: NOMIS July 2014

KPI.1.2

Reduce adult unemployment in all Districts to below the national adult unemployment level

Baseline [June 2014]; Districts above National Level (2.4%): Dover 2.6%, Gravesham 2.5%, Shepway 2.5%, Swale 2.5%, Thanet 4.5% Source: NOMIS July 2014

2. Improve Adult Skill Levels

Schools and Colleges have an important role to play in ensuring that more young people achieve higher level qualifications by the age of 19. The 14-24 Learning, Employment and Skills Strategy has clear targets and actions to deliver this agenda.

Significantly, three out of four learners achieve level 2 by age 16 (5 or more GCSE grades at A*-C), but only two out of four go on to achieve level 3 by age 19. Clearly, more needs to be done to ensure that young people succeed in achieving the level 3 qualification regarded as the benchmark by the LGA.

It is not sufficient to rely on producing more skilled young people – it is also necessary to upskill the existing adult

population at all levels. This means reducing the number of adults with no qualification at all, and increasing the numbers that achieve levels 2, 3 and 4 so that our adult population has skill levels in line with or better than the South East region. This Strategy includes KPIs for each of these skill levels.

In order to achieve these targets it will be necessary for more people to access learning, at all levels and this is reflected in KPI 2.1 which is for more people to participate in learning.

The Apprenticeship model is key to delivering high quality adult training and we will continue to promote and develop Apprenticeship opportunities. Much has been achieved by KCC, FE Colleges and training providers working together to promote 16-18 Apprenticeships; and the Kent Employment Programme team, working with JCP, has delivered over 1000 Apprenticeships to 18-24 year olds.

However, the number of Adult Apprenticeships (25+) has recently fallen, largely due to the changes to funding introduced in 2013, and the introduction of Adult Loans. There were over 5000 starts in 2012-13 but in 2014 the number of starts has fallen to 2030. This trend must be reversed to achieve the step change in adult skill levels required. It is important that this growth is achieved by adults developing their skills through the Adult Apprenticeship framework delivering high quality training.

2 Improve Adult Skill Levels KPIs

KPI.2.1

Increase participation in learning amongst the adult population of Kent to over 65,000 learners

Baseline: in 2012/13 61,820 adult (19+) learners were funded by SFA

KPI.2.2

Decrease the number of adults with no qualifications to below 6%

Baseline: Kent 7.3%, SE 6.5%, GB 9.3% Source: ONS Population Survey 2013

KPI. 2.3

Increase the proportion of adults at level 2 and above to at least 80%

Baseline: Kent 74.6%, SE,76.5%, GB 72.5%
Source: ONS Population Survey 2013

KPI. 2.4

Increase the proportion of adults at Level 3 and above to at least 60%

Baseline: Kent 55.4%, SE 59.3%, GB 55.8%
Source: ONS Population Survey 2013

KPI. 2.5

Increase the proportion of adults in Kent at level 4 and above to at least 40%

Baseline: Kent 33.6%, SE 38.3%, GB 35.2%
Source: ONS Population Survey 2013

KPI 2.6

Re-establish the number of Adult (25+) Apprenticeship starts to 5,000 per annum.

2012/13 5,000 starts.
2013/14 2,030 starts to quarter 3

3 Increase Training and Employment in Priority Sectors

The South East LEP has identified the following as its priority sectors: Advanced Manufacturing; Transport and Logistics; Life Sciences and Health Care; Environmental Technologies and Energy; Creative, Cultural and Media and the Visitor Economy.

The LEP also allows for some local discretion for each Authority to determine its Priority Sectors and Kent has determined the following as its priorities: low carbon and environmental goods and services; life sciences and medical technologies; creative and media industries; food production; manufacturing and engineering; construction; higher education; and tourism.

Determining which sectors of the economy will generate growth and employment is not an exact science and these priorities will be subject to change. However, they provide a useful starting point to indicate where the emphasis should be placed for adults seeking training or employment. It is sensible to direct more adults into training and re-training opportunities in those sectors where they are more likely to obtain a job – and contribute to productivity and growth.

Broad skill sectors alone are a rather blunt instrument to determine future training provision. Within each sector there will be demands for particular skill levels and particular occupations. For instance, in the health and care sector, there is greater demand for workers at level 3; in transport and logistics there is demand for drivers – a very transferable occupation. A level of refinement in planning will be required.

If successful there will be more people training in these sectors and more people employed in these sectors. An important contribution can be made by increasing the availability of Apprenticeships in these sectors. The KPIs under this section reflect these three ambitions.

3 Increase training and employment in priority sectors, KPIs

KPI.3.1

Increase the number of adults accessing training relevant to each of the priority sectors by 10%

To be agreed once priority sectors are finalised*

KPI.3.2

Increase employment in the priority sectors by 10% per annum

To be agreed once priority sectors are finalised*

KPI.3.3

Increase the number of apprentices, 18-24 and 25+, in priority sectors by 10%

To be agreed once priority sectors are finalised*

4 Increase Employment and Participation in Learning Amongst Priority Groups

As has been described, access to skills education and training is unequal across society – and those who might benefit most from skills education, such as those adults who left school at 16 with no qualifications are less likely to participate. Apart from the social injustice and exclusion that results, it is inefficient to ignore those who would benefit greatly from skills training.

This Strategy calls for more targeted work with two particular under-represented groups: disabled adults and socially deprived adults. The aim is for more adults with disabilities to access education, training and employment; and for more adults from deprived neighbourhoods to engage in learning.

4 Increase employment and participation in learning amongst priority groups, KPIs

KPI. 4.1

Increase the number of adults with disabilities accessing education and training to 17,500

Baseline: in 2012/13 15,390 adults with a learning difficulty or disability were funded by EFA or SFA

KPI. 4.2

Support 100 adults with disabilities into employment each year.

Kent Supported Employment. FSC contract. 100 adults per annum.

KPI.4.3

Increase participation in learning amongst the adult population in the 20 most deprived neighbourhoods in Kent.

Baseline to be calculated: participation in learning with FE or CLS by postcode (Proxy measure)

* Kent and Medway Economic Partnership has Commissioned research to determine a 'Workforce Skills Evidence Base' for the County. The findings will be published in September 2015 and will used to inform KPIs 3.1-3.3

Conclusion

The Adult Learning, Skills and Employment Strategy is a key document for KCC and its partners in taking forward our aspirations for greater economic growth, increased employment opportunities and higher levels of skilled adults in Kent.

The Strategy reflects national policy initiatives to improve growth and employment and address skills gaps which reduce productivity and slow economic improvement. The Department of Business Innovation and Skills (BIS) consultation document (March 2015) on the future of adult skills, 'A Dual Mandate for Adult Vocational Education' is consistent with the proposals in the *Adult Learning, Skills and Employment Strategy*.

While the main emphasis of the *Strategy* is rightly on economic growth, adult skill development and employment it also recognises the wider benefits of community learning for social inclusion, community cohesion, health and wellbeing. Adult skills and learning plays a vital role in improving the lives of vulnerable adults, including those with sensory and learning disabilities, autism and mental illness.

We recognise we cannot achieve the priorities in this Strategy without successful partnership with education, skills and training providers, employers and government agencies. To this end the Strategy reflects the Priority Employment Sectors, as defined by the LEP and by KCC, and further work will be carried out to develop more detailed plans for specific occupations within sectors and specific local requirements. This will be reflected in the *Action Plan*.

Our partners make up the Kent and Medway Education, Learning and Skills Partnership Board. This board is an advisory group to the Local Enterprise Partnership on skills. This ensures there are clear interdependencies between the LEP Skills Strategy and the *Adult Learning, Skills and Employment Strategy* for Kent.

Employer engagement is critical to the successful delivery of the Strategy. This will be achieved by working through the Chambers of Commerce and other employer led organisations.



The Strategy also informs the service specification for the KCC Community Learning and Skills Service. The CLS growth strategy and service plan, for provision from September 2015, includes priorities and commissioned services that contribute to the delivery of the *Adult Learning, Skills and Employment Strategy*.

Adult Learning, Employment and Skills Strategy 2015 - 2018

Education and Young People's Services

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Please call 03000 421553

By: Mark Dance, Cabinet Member for Economic Development
David Smith, Director of Economic Development

To: Growth, Economic Development and Communities Cabinet
Committee – 1 December 2015

Subject: RGF Programmes and Framework for Monitoring Report

- Escalate (West Kent and parts of East Sussex)
- Expansion East Kent (East Kent and Ashford)
- Tiger (North Kent and Thurrock)

Classification: Unrestricted

Background Information

Since November 2011, the Department of Business, Innovation and Skills (BIS) has allocated £55 million to KCC for three schemes:

- Expansion East Kent (£35 million)
- Tiger (£14.5 million)
- Escalate (£5.5 million)

These schemes provide funds for companies with investment plans that will lead to job creation. For the majority of the companies the loan finance provided is set at 0% interest with a repayment period between 5 and 7 years. The schemes also have allocated grants and equity investments.

This report provides an update on the allocation of funds to companies in the format previously agreed by the Growth, Economic Development and Communities Cabinet Committee.

Recommendation

The Growth, Economic Development and Communities Cabinet Committee is asked to consider and note the report.

1. Update on the three RGF Schemes

As of 31st October 2015, KCC has committed over £55 million across the three RGF schemes since April 2012.

In total, over 217 companies have been supported through the RGF schemes managed by Kent County Council. These companies have contract agreements to create 4,162 jobs and will leverage in £90 million from private sector investment. The overall job target is 6,000 jobs to be created or safeguarded.

1.1 The Expansion East Kent Programme was launched in December 2012. As of 31st October 2015, KCC has committed over £31 million to 126 companies

within the local authority areas of Ashford, Canterbury, Dover, Shepway and Thanet. The programme was suspended on 1st February 2015 and is no longer open to new applicants.

- 1.2 The Tiger Programme for North Kent and Thurrock was launched in March 2013. As of 31st October 2015, KCC has committed £14,490,000 to 51 companies within Dartford, Gravesham, Medway, Swale and Thurrock. The programme is no longer open to new applicants.
- 1.3 The Escalate Programme for West Kent and parts of East Sussex was launched in December 2013. As of 30th September 2015 KCC, has committed £5,510,000 to 40 companies and the programme is no longer accepting any new applications.

2. Summary of Monitoring

2.1 As part of the loan agreement each company is obliged to provide quarterly monitoring returns. These returns are in arrears of the previous quarter and on receipt of returns the following RAG rating is applied:

- 1) Green Status – full return received and no outstanding issues noted.
- 2) Amber Status – partial return received and/or issues re milestones noted.
- 3) Red Status – non return received and non achievement of key milestones i.e. repayment, job outcomes or delay to planned objectives

2.2 The following table provides a headline summary for all three RGF programmes for the period of April to June 2015. All information has been fully validated and is accurate as at 31st October 2015.

Headline Summary

No of companies awarded investment and completed contract stage	No of companies in monitoring reporting cycle	No of reports received	No of companies in Green Risk Status	No of companies in Amber Risk Status	No of companies in Red Risk Status
217	185	175 (95%)	101 (55%)	46 (25%)	38 (21%)
Loan Values					
£51,133,297	£42,994,991	£41,298,582	£22,932,766	£8,937,672	£11,074,553

Out of the 185 companies within the monitoring reporting cycle 79% (147 companies) fall within green or amber.

Details of Red Risk Status

The table below provides details on 38 companies (21%) that have been red rated. The red risk rating falls into three categories as follows:

Breakdown of Red Risk Status	Category A Non Payment of Debt	Category B Nil Return of Monitoring Form	Category C Significant shortfall on milestones / targets
No of Companies	2	11	25
Combined Loan Value	£225,000	£1,646,409	£9,203,144
Actions to be taken	Formal legal proceedings undertaken/Creditors Meeting	Follow up emails	Companies under review

The cumulative total of the companies who have defaulted on the loans is as follows:-

Bad Debts previously reported in Red Category A:	No of Companies	Percentage of number of companies supported	Loan Value	Percentage of overall defrayed funds
	6	3%	£1,304,330	(£51,133,297.13)
This Quarter's Bad Debt	2	1%	£225,000	
Total Bad Debt	*8	4%	£1,679,330	3.28%

There are 7 companies who have gone into liquidation and 1 company has advised of voluntary liquidation. KCC Legal and Internal Audit have been advised and are working with the RGF manager in all cases.

Job Status	Target to Date	Actuals to Date	Percentage against target
Jobs Created	1,723	1,019	59% (Amber)
Jobs Safeguarded	1,459	1,494	102% (Green)

The above table provides progress to date on jobs created and jobs safeguarded across all three programmes. Both Tiger (see annex 2) and Escalate (see annex 3) programmes are reported as green and it is currently the Expansion East Kent Programme job creation figure which is lagging behind. This is due, in the main, to three companies who are approximately 6 months behind in their plans to being fully operational.

3. Profile for Repayments of Funds (as at 31st October 2015)

There are two loan repayment periods each financial year i.e. September 2015 and March 2016.

The table below provides details on the actual repayments received to date and the loan repayment profile due to be repaid by March 2021.

2013/14 Target and Actual	2014/15 Target and Actual	2015/16 Target and Actual		
Target= £338,548 Actual =£338,548	Target =£1,505,460 Actual =£1,445,701	Sep 15 Target = 2,494,642 Actual =£1,887,125	Mar 15 Target = 3,403,212	
2016/17 Targets	2017/18 Targets	2018/19 Targets	2019/20 Targets	2020/21 Targets
£7,608,078	£8,155,111	£7,314,601	£5,389,946	4,675,281
Total Repayment due by 2021 = £40,884,862				

The total repayment of loans for the period September 2015 is correct as at 31st October 2015.

Recommendation

The Growth, Economic Development and Communities Cabinet Committee is asked to consider and note the report.

4. Delivery of Schemes

Annex 1 provides full details on the monitoring returns of the **Expansion East Kent programme**.

Annex 2 provides full details on the monitoring returns of the **Tiger programme**.

Annex 3 provides full details on the monitoring returns of the **Escalate programme**.

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Expansion East Kent Programme

This annex provides full details of the funding awarded to companies within the East Kent and Ashford area from the Expansion East Kent programme.

1. Funding Awarded

The table shows total funding committed, a breakdown per local authority, number of jobs to be created and private sector investment (matched funding).

Expansion East Kent & Small Business Boost Scheme	Funds Awarded £	Private Investment £	No of Companies	No of jobs to be created	Saved posts	Total no of Jobs created/safeguarded posts
Ashford	210,500	105,578	8	70	25	95
Canterbury	6,850,345	8,738,411	33	1,360	158	1518
Dover	12,562,950	31,301,138	30	664	252	916
Shepway	6,268,468	10,055,899	24	510	149	659
Thanet	5,243,406	8,678,865	31	464	197	661
Total	31,135,669	58,879,891	126	3,068	781	3849
Position as at 31st October 2015						

Total Committed Funding	£31,135,699	£58,879,892	126	3,068	781	3851
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Within the Expansion East Kent scheme there is an additional programme and the Investment Advisory Board have agreed to ring fence and commit £5 million to the programme as follows:-

(a) Equity Investment Fund Committed = £2,225,000

Total Funding Committed = £33,385,699
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2. Defrayment of Funds

Each company applying to the programme provides a profile for the drawdown of funds. This would be dependent on the needs of the businesses and the companies' plans for growth.

The profile for the defrayment of funds is as follows:-

- | | | |
|--|----------------|------|
| (a) Funds defrayed as at 31 st October 2015 | = £25,888,380} | £35m |
| (b) Estimated funds October 2015 March 2016 | = £9,111,619} | |

3. Profile for Repayments of Funds (as at 31st October 2015)

All repayment of loans and returns on Equity Investments will be reinvested into future financial support programmes for businesses and companies.

The table below provides details on the repayment profile due to be repaid by March 2021.

2013/14 Target and Actual	2014/15 Target and Actual	2015/16 Target and Actual		
Target=£335,294 Actual=£335,294	Target=£849,901 Actual=£820,663	Sep 15 Target=£1,053,179 *Actual=£569,411	Mar 16 Target=£1,790,697	
2016/17 Target	2017/18 Target	2018/19 Target	2019/20 Target	2020/21 Target
£3,982,809	£4,561,189	£4,039,761	£3,017,170	£3,446,960
Total Repayment due by 2021 = £23,076,960				

*includes September payments received as at 31st October 2015

There are two loan repayment periods per financial year i.e. September 2015 and March 2016.

The cumulative estimated amount to be received by the end of September 2015 was £2,238,374. The actual amount received as of 31st October 2015 was £1,725,368 which represented an over achievement rate of 77%.

The target figure is subject to change, due to contract variations and applicants deciding to repay their loan in full earlier than anticipated, to allow early release of KCC charges.

4. Monitoring Returns

The monitoring returns for the Expansion East Kent programme for the period of June 2015 period have resulted in 70% being allocated Green status (performance fully met as per loan agreement) or Amber status (slight slippage but in the main delivery of job outputs as per loan agreement) are as follows:

No of companies awarded investment	No of companies in monitoring reporting cycle	No of reports received	No of companies in Green Risk Status	No of Companies in Amber Risk Status	No of Companies in Red Risk Status
126	98	86 (88%)	40 (41%)	29 (30%)	29 (29%)
Combined Loan Value					
£31,135,699	£24,821,466	£23,175,057	£10,265,793	£4,581,664	£9,974,009

It is important to note there are three categories with the RED status – see table below.

Breakdown of Red Risk Status	Category A Non Payment of Debt	Category B Nil Return of Monitoring Form	Category C Significant shortfall on milestones / targets
No of Companies	1 (1%)	11 (11%)	17 (17%)
Combined Loan Value	£150,000	£1,646,409	£8,177,600
Actions to be taken	Formal legal proceedings undertaken	Follow up email	Company under review

Bad Debts previously reported in Red Category A:	No of Companies	Percentage number of companies supported	Loan Value	Percentage of overall defrayed funds
	4	3%	£854,330	
This Quarter's Bad Debt	1	1%	£150,000	
Total Bad Debt	5	4%	£1,004,330	3.88%

The action taken on 29 (29%) companies in Red Status is as follows:-

Category A =	1 Company has significant issues i.e. failure to repay loan on time – bad debt.
Action taken:	The company has have advised KCC of their voluntary administration. Legal advice sourced on the appropriate action to take and costs of actions. To include advice on any third party repaying part of the loan.
Category B =	11 companies - nil return of monitoring form
Action taken:	All 11 Companies have received follow up emails and their outstanding return has been merged with the September 2015 return. Where there are two returns outstanding a site visit will be scheduled.
Category C =	16 Companies - Significant delays in the following areas: <ul style="list-style-type: none"> Job creation significantly behind, loss of staff/poor retention, and/or not employment contracts to sufficiently evidence job creation 1 Company – following issues: <ul style="list-style-type: none"> concerns with regard to leverage, future draw down and job creation
Action taken:	All 16 Companies are being closely monitored with regard to achievement of outputs, site visits have been arranged; and contract variation discussions are taking place.

The monitoring returns for June 2015 have included evidence i.e. employment contracts for the creation of 94 jobs and safeguarded of 232. The job creation figure is due to rise by a further 202 (plus a further 133 shortfall for June 2015) by the end of September 2015.

Job Status	Target to Date	Actuals to Date	Percentage against target
Jobs Created	1,137	550	48% (Amber)
Jobs Safeguarded	656	748	114% (Green)

Tiger Programme

This annex provides full details of the funding awarded to companies within the North Kent and Thurrock area from the Tiger programme.

1. Funding Awarded

The table shows total funding committed, a breakdown per local authority, number of jobs to be created and private sector investment (matched funding).

Tiger Programme	Funding per Local Authority £ m	Private Investment £ m	No of Companies	No of jobs to be created	Saved Posts	Total number of Jobs
Dartford	1,477	1,283,822	9	158.69	56	214
Gravesham	881	843,375	4	44.08	62	106
Medway	4,335	3,040,659	15	257.6	158	416
Swale	6,674	18,020,958	17	349.36	313	662
Thurrock	1,121	1,501,355	6	132.48	18	151
Total	14,488	24,690,169	51	942	607	1549
Position as at 31st October 2015						

Total Funding Committed	£14,488	£24,665,169	51	942	607	1,549
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2. Defrayment of Funds

Each company applying to the programme provides a profile for the drawdown of funds. This drawdown would be dependent on the needs of the businesses and the companies' plans for growth.

The profile for the defrayment of funds is as follows:

Funds defrayed as at 31st October 2015	= £14,490,00
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3. Profile for Repayments of Funds (as at 31st October 2015)

All repayment of loans and returns on Equity Investments will be reinvested into future financial support programmes for businesses and companies.

The table below provides details on the repayment profile. The total amount to be repaid is £12,590,303 as two companies have been awarded equity investments (£1,424,072).

2013/14 Target and Actual	2014/15 Target and Actual	2015/16 Target and Actual		
Target=£3,254 Actual=£3,254	Target=£523,799 *Actual=£493,284	Sep 15 Target=£958,750 **Actual=£869,930	Mar 16 Target=£1,151,972	*£35,515 variation to contract subject to business needs

2016/17 Target	2017/18 Target	2018/19 Target	2019/20 Target	2020/21 Target
2,439,955	2,400,358	2,262,437	1,822,965	1,026,832
Total Repayment due by 2021 = £12,590,303				

**includes September payments received as at 31st October 2015

There are two loan repayment periods per financial year i.e. September 2015 and March 2016.

The cumulative estimated amount to be received by the end of September 2015 was £1,485,803. The actual amount received as of 31st October 2015 was £1,366,468 which represented an over achievement rate of 92%.

The target figure is subject to change, due to contract variations and applicants deciding to repay their loan in full earlier than anticipated, to allow early release of KCC charges.

4. Monitoring Returns

The monitoring returns for Tiger programme for the period of June 2015 period have resulted in 90% being allocated Green status (performance fully met as per loan agreement) or Amber status (slight slippage but in the main delivery of job outputs as per loan agreement) are as follows:

No of companies awarded investment	No of companies in monitoring reporting cycle	No of reports received	No of companies in Green Risk Status	No of companies in Amber Risk Status	No of companies in Red Risk Status
51	48	48 (100%)	31 (65%)	12 (25%)	5 (10%)
Combined Loan Value					
£14,490,000	£12,655,928	£12,655,928	£8,690,966	£3,136,008	£828,954

It is important to note there are three categories with the **RED** status – see table below.

Breakdown of Red Risk Status	Category A Non Payment of Debt	Category B Nil Return of Monitoring Form	Category C Significant shortfall on milestones / targets
No of Companies	1 (2%)	0	4 (8%)
Combined Loan Value	£75,000		£753,954
Actions to be taken	Creditors Meeting attended		Companies under review

Bad Debts previously reported in Red Category A:	No of Companies	Percentage number of companies supported	Loan Value	Percentage of overall defrayed funds
	1	2%	£410,000	3%
This Quarter's Bad Debt	1	2%	£75,000	0.51%
Total Bad Debt	2	4%	£485,000	3.34%

The action taken on 5 (10%) companies in **Red** Status is as follows:

Category A =	1 company – advised of voluntary liquidation or administrative receivership
<i>Action taken:</i>	Meeting of Creditors has been attended. Awaiting further information on appointment of Administrators.
Category B =	0 Companies – not returning their Monitoring Report
<i>Action taken:</i>	
Category C =	4 companies - Significant delays in the following areas:- (a) 1 company's refurbishment is now well advanced following a slow start. (b) 1 company was slow to repay their March payment, and/or submit evidence to accompany monitoring return. (c) 1 company recruitment retention rate is poor, and in addition their safeguarded number has also dropped. (d) 1 company loan repayment was overdue and recruitment makes slow progress against contractual timelines.
<i>Action taken:</i>	(a) Refurbishment is complete, so recruitment should be seen in next quarter's return. In addition the company has complied with all monitoring returns and annual audit certificate. (b) Company site visit has been undertaken, which included their main investor and KCC confident that business plan detailed will be met. (c) Site visit to be arranged. (d) Site visit undertaken, contract variation now complete. Company currently under close supervision.

The monitoring returns for June 2015 have included evidence i.e. employment contracts for the creation of 70 jobs and safeguarded of 50. The job creation figure is due to rise by a further 57 (plus a further 32 shortfall for June 2015) by the end of September 2015.

Job Status	Target to Date	Actuals to Date	Percentage against target
Jobs Created	405	337	83% (Green)
Jobs Safeguarded	630	598	95% (Green)

Escalate

This annex provides full details of the funding awarded to companies within the districts of West Kent and three districts of East Sussex from the Escalate programme.

1. Funding Awarded

The table shows total funding committed, a breakdown per local authority, number of jobs to be created and private sector investment (matched funding).

Escalate Programme	Funding per Local Authority £ m	Private Investment £ m	No of Companies	No of Jobs to be created	Saved Posts	Total number of Jobs
Maidstone	2,720,588	3,054,332	12	162	109	271
Rother	56,000	56,000	1	7	0	7
Sevenoaks	594,000	710,472	6	30	31	61
Tonbridge + Malling	763,509	762,798	8	58	19	77
Tunbridge Wells	1,093,250	1,332,250	10	162	16	178
Wealden	280,250	280,250	3	18	12	30
Total	**5,507,597	6,196,102	40	437	187	624
Position as at 31st October 2015						

**Hastings Funding total is zero*

***£10,000 uncommitted within Tiger and £2402.20 contribution to marketing*

Total Funding Committed	£5,507,597	£6,196,102	40	437	187	624
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2. Defrayment of Funds

Each company applying to the programme provides a profile for the drawdown of funds. This drawdown would be dependent on the needs of the businesses and the companies' plans for growth.

The profile for the defrayment of funds is as follows:

Funds defrayed as at 31st October 2015	= £5,507,597
--	---------------------

3. Profile for Repayments of Funds (as at 31st October 2015)

All repayment of loans and returns on Equity Investments will be reinvested into future financial support programmes for businesses and companies.

The table below provides details on the repayment profile. The total amount to be repaid is £5,217,599 as one company has been awarded equity investment (£250,000).

2014/15 Target and Actual	2015/16 Target and Actual			
Target=£131,760 Actual=£131,760	Sep 15 Target=£482,713 *Actual=£447,784	Mar 16 Target=£460,543		
2016/17 Targets	2017/18 Targets	2018/19 Targets	2019/20 Targets	2020/21 Targets
£1,185,314	£1,193,564	£1,012,403	£549,811	£201,489
Total Repayment due by 2021: £5,217,599				

*includes September payments received as at 31st October 2015

There are two loan repayment periods per financial year i.e. September 2015 and March 2016.

The cumulative estimated amount to be received by the end of September 2015 was £614,473. The actual amount received as of 31st October 2015 was £579,544 which represented an over achievement rate of 94%.

The target figure is subject to change, due to contract variations and applicants deciding to repay their loan in full earlier than anticipated, to allow early release of KCC charges.

4. Monitoring Returns

The monitoring returns for the Escalate programme for the period to June 2015 period have resulted in 90% being allocated Green status (performance fully met as per loan agreement) or Amber status (slight slippage but in the main delivery of job outputs as per loan agreement) are as follows:

No of companies awarded investment	No of companies in monitoring reporting cycle	No of reports received	No of companies in Green Risk Status	No of Companies in Amber Risk Status	No of Companies in Red Risk Status
40	39	39 (100%)	30 (76%)	5 (13%)	4 (11%)
Combined Loan Value					
£5,507,597	£5,467,597	£5,467,597	£3,976,007	£1,220,000	£271,590

It is important to note there are three categories with the RED status – see table below.

Breakdown of Red Risk Status	Category A Non Payment of Debt	Category B Nil Return of Monitoring Form	Category C Significant shortfall on milestones / targets
No of Companies	0	0	4 (11%)
Combined Loan Value			£271,590
Actions to be taken			Companies under review

Bad Debts previously reported in Red Category A:	No of Companies	Percentage number of companies supported	Loan Value	Percentage of overall defrayed funds
	1	2.5%	£40,000	0.75%

The action taken on 4 (11%) companies in Red Status is as follows:

Category A =	
<i>Action taken:</i>	
Category B =	0 Companies - nil return of monitoring form
<i>Action taken:</i>	
Category C =	4 companies - Significant delays in the following areas:- (a) 1 company had to await a decision on their planning permission from the secretary state. (b) 1 company's refurbishment is now well advanced following a long and protracted planning application. (c) 1 company is in dispute with their landlord, after gaining planning permission and (d) 1 company has not returned their Contract Variation and/or paid their March invoice and have a September invoice also now to pay.
<i>Action taken:</i>	(a) Company has since confirmed that they have been awarded their Planning Permission. (b) Company is now on track, albeit the opening will be delayed as will the recruitment of staff. (c) Company has been provided with a repayment schedule to return the funding within six months as some expenditure has already been incurred. (d) With regard to the non-return of the contract variation, KCC is ascertaining what action can now be taken in light of this; and the non-payment of the March (and possibly September) loan repayments. In addition a pilot is being undertaken to switch willing companies onto a monthly direct debit scheme.

The monitoring returns for June 2015 have included evidence i.e. employment contracts for the creation of 37 jobs and safeguarded of 9. The job creation figure is due to rise by a further 28 (plus a further 17 shortfall for June 2015) by the end of September 2015.

Job Status	Target to Date	Actuals to Date	Percentage against target
Jobs Created	181	132	73% (Green)
Jobs Safeguarded	173	148	85% (Green)

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From: Peter Sass, Head of Democratic Services

To: Growth, Economic Development and Communities Cabinet Committee – 1 December 2015

Subject: **Work Programme 2016**

Classification: **Unrestricted**

Past Pathway of Paper: Growth, Economic Development and Communities Cabinet Committee meeting – 15 September 2015

Future Pathway of Paper: Standard agenda item

Summary: This report gives details of the proposed work programme for the Growth, Economic Development and Communities Cabinet Committee.

Recommendation: That the Growth, Economic Development and Communities Cabinet Committee considers and agrees its Work Programme for 2016.

1. Introduction

1.1 The proposed Work Programme, appended to the report, has been compiled from items in the Future Executive Decision List and from actions arising and from topics identified at the agenda setting meetings, held 6 weeks before a Cabinet Committee meeting in accordance with the Constitution, by the Chairman, Mr Wickham, Mr Holden, Vice Chairman and 3 Group Spokesmen, Mr Clarke, Mr Truelove and Mr Baldock.

1.2 Whilst the Chairman, in consultation with the Cabinet Member, are responsible for the programme's fine tuning, this item gives all Members of this Cabinet Committee the opportunity to suggest amendments and additional agenda items where appropriate.

2. Terms of Reference

2.1 At its meeting held on 27 March 2014, the County Council agreed the following terms of reference for the Growth, Economic Development and Communities Cabinet Committee '*To be responsible for those functions that fall within the responsibilities of the Director of Economic Development as well as some functions transferred from the former Communities Directorate and now located within the Growth, Environment and Transport Directorate*'. The functions within the remit of this Cabinet Committee are:

Economic Development

Economic & Spatial Development

Strategy & Development

International Affairs

Regeneration Projects including Grant and Loan schemes and other 'bid for funded' projects

Communities

Arts

Sport

Libraries

Registration and Archives

Volunteering

Big Society

3. Work Programme 2016

- 3.1 The proposed Work Programme has been compiled from items in the Future Executive Decision List and from actions arising and from topics, within the remit of the functions, listed in paragraph 2.1 above, of this Cabinet Committee, identified at the agenda setting meetings [Agenda setting meetings are held 6 weeks before a Cabinet Committee meeting in accordance with the Constitution]. The attendees of the agenda setting meetings are; Mr Wickham, (Chairman), Mr Holden, (Vice Chairman) and 3 Group Spokesmen, Mr Clarke, Mr Truelove, Mr Baldock; and Mr Dance (Cabinet Member for Economic Development) and Mr Hill (Cabinet Member for Community Services).
- 3.2 An agenda setting meeting was held on 13 October 2015, when items for this meeting's agenda and future agenda items were agreed. The Cabinet Committee is requested to consider and note the items within the proposed Work Programme, set out in appendix A to this report, and to suggest any additional topics to be considered at future meetings where appropriate.
- 3.3 The schedule of commissioning activity 2015-16 to 2017-18 that falls within the remit of this Cabinet Committee will be included in the Work Programme and considered at future agenda setting meetings to support more effective forward agenda planning and allow Members to have oversight of significant services delivery decisions in advance.
- 3.5 When selecting future items the Cabinet Committee should give consideration to the contents of performance monitoring reports. Any 'for information' items will be sent to Members of the Cabinet Committee separately to the agenda and will not be discussed at the Cabinet Committee meetings.

4. Conclusion

- 4.1 It is vital for the Cabinet Committee process that the Committee takes ownership of its work programme to deliver informed and considered decisions. A regular report will be submitted to each meeting of the Cabinet Committee to give updates of requested topics and to seek suggestions for future items to be considered. This does not preclude Members making requests to the Chairman or the Democratic Services Officer between meetings for consideration.

5. Recommendation: That the Growth, Economic Development and Communities Cabinet Committee considers and agrees its Work Programme for 2016.

6. Background Documents

None.

7. Contact details

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Lead Officer:

Peter Sass

Head of Democratic Services

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GROWTH, ECONOMIC DEVELOPMENT AND COMMUNITIES CABINET COMMITTEE
WORK PROGRAMME 2015-2016

(Members agreed that the number of jobs being created through the work being undertaken in the reports presented to the Cabinet Committee should appear at the top of each report where appropriate)

FORTHCOMING EXECUTIVE DECISIONS (19/10/2015 to 30/04/2016)		
Decision	Decision Taker	Lead officer
Old Town Hall, Gravesend	Cabinet Member for Economic Development	Tba
Libraries, Registration and Archives internal specification	Cabinet Member for Communities	Tba
STANDARD AGENDA ITEMS		
Item	Cabinet Committee to receive item	
Verbal updates by the relevant Cabinet Members and Directors	At each meeting	
Portfolio Dashboard	At each meeting	
Budget Consultation	Annually (November/December)	
Final Draft Budget	Annually (January)	
Annual Equality and Diversity Report	Annually (September)	
Risk Register – Strategic Risk Register	Annually (last submitted in April 2015)	
Directorate Business Plan	March 2016	
Work Programme	At each meeting	

PROPOSED AGENDA ITEMS

Proposed Agenda Item	Date requested	Cabinet Committee meeting
Paramount Theme Park project on Swanscombe Peninsula	29/07/13	Regular updates
Ebbsfleet Garden City UDC Master Plan	14/10/14 <i>(agenda setting meeting)</i>	Discussions under way with Robin Cooper to see if he can attend the 12 January 2016 meeting
A report on BioKent Bio-gateway (Invite Paul Wookey)	22/01/15	Further updates (January 2016)
Social Impact of Turner Contemporary	15/9/15	3 March 2016 or 17 May 2016 Invite Turner Contemporary Director, Victoria Pomery, OBE
Update on the work of the Kent Film Office	15/9/15	tba
KCC response to Interim Evaluation for HS1	19/11/15 Directorate email	12 January 2016
Faversham Creek (Rob Hancock, Project Manager)	Email 20/11/15 Cabinet Member request	12 January 2016

PRESENTATIONS		
Proposed Topic	Date requested	Cabinet Committee meeting
Margate Seafront	14/10/14	tba Following visit to Margate. Update to include Dreamland Paper + possible presentation
Kent Universities to be invited to present how they are facilitating and encouraging economic development in Kent. The discussion would include current programs and planned initiatives along with consideration specific challenges faced. Requested by Mr Clark. (link includes some high level case studies https://www.gov.uk/government/speeches/contribution-of-uk-universities-to-national-and-local-economic-growth)	4/12/14	Dave Hughes liaising with Universities Ongoing programme <ul style="list-style-type: none"> University of Creative Arts to be invited to the 12 January meeting University of Kent - Carole Barron and Phillippe De Wilde attending 3 March 2016 meeting.
Presentations on the 4 District Deals (TWBC, TMBC and SBC)	22/01/15	Depending on decision route and timetable for agreeing deals
To ask the Chambers of Commerce if they would help in asking their members, (maybe via an anonymous questionnaire) any issues or concerns they have with KCC and any obstacles to expansion. This could then be collated and presented to the committee so that we can better understand what help and assistance Kent businesses need from KCC. The results of which could advise future agenda items.	31/07/15	Invite Kent Invicta Chambers of Commerce – Chief Executive, Ms Jo James; and Thanet and East Kent Chamber of Commerce, Chief Executive, Mr David Foley, and the Chairman of the Kent and Medway Economic Partnership, Mr Geoff Miles KMEP, to give a presentation to include the conclusions of the questionnaire carried out by the Chambers of Commerce etc. [Following on, hold a separate meeting (consider a small group of Members) with local businesses to discuss issues that affect them] Members to make recommendations on their findings to be submitted to the Cabinet Member for consideration.
Kent Savers Credit Union	13/10/15	tba
VISITS		
Visit to be arranged to the regeneration sites in Margate	22/01/15	tba

From: Mark Dance, Cabinet Member for Economic Development
Mike Hill, Cabinet Member for Community Services
Barbara Cooper, Corporate Director for Growth, Environment and Transport

To: Growth, Economic Development and Communities Cabinet Committee – 1 December 2015

Subject: Performance Dashboard

Classification: Unrestricted

Summary:

The Growth, Economic Development and Communities Performance Dashboard shows progress made against targets set for Key Performance Indicators.

Recommendation:

The Growth, Economic Development and Communities Cabinet Committee is asked to CONSIDER and NOTE the report.

1. Introduction

- 1.1. Part of the role of Cabinet Committees is to review the performance of the functions of the Council that fall within the remit of the Committee.
- 1.2. To support this role Performance Dashboards are regularly reported to each Cabinet Committee throughout the year, and this is the second report for this financial year to this Committee.

2. Performance Dashboard

- 2.1. The current Growth, Economic Development and Communities Performance Dashboard is attached at Appendix 1.
- 2.2. The Dashboard provides a progress report on performance against target for the Key Performance Indicators (KPIs) included in this year's Directorate Business Plans.
- 2.3. The current Dashboard provides results up to the end of September.
- 2.4. The Dashboard also includes a range of activity indicators which help give context to the Key Performance Indicators.
- 2.5. Key Performance Indicators are presented with RAG (Red/Amber/Green) alerts to show progress against targets. Details of how the alerts are generated are outlined in the Guidance Notes, included with the Dashboard in Appendix 1.

3. Recommendation:

The Growth, Economic Development and Communities Cabinet Committee is asked to CONSIDER and NOTE this report.

4. Background Documents

The Council's Directorate Business Plans:

<http://www.kent.gov.uk/about-the-council/strategies-and-policies/corporate-policies/business-plans>

5. Contact details

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Growth, Economic Development and Communities Performance Dashboard

Financial Year 2015/16

Results up to September 2015

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Produced by Strategic Business Development & Intelligence

Publication Date: 18/11/15



Guidance Notes

RAG RATINGS

GREEN	Performance has met or exceeded the current target
AMBER	Performance is below the target but above the floor standard
RED	Performance is below the floor standard

Floor standards are pre-defined minimum standards set in Directorate Business Plans and represent levels of performance where management action should be taken.

DOT (Direction of Travel)

↑	Performance has improved in the latest month/quarter
↓	Performance has fallen in the latest month/quarter
↔	Performance is unchanged this month/quarter

Activity Indicators

Activity Indicators representing demand levels are also included in the report. They are not given a RAG rating or Direction of Travel alert. Instead they are tracked within an expected range represented by Upper and Lower Thresholds. The Alert provided for Activity Indicators is whether they are in expected range or not. Results can either be in expected range (**Yes**) or they could be **Above** or **Below**.

Key Performance Indicators Summary

Economic Development	
Indicator Description	Current Status
Confirmed FTE jobs created/safeguarded through RGF (cumulative since start of schemes)	AMBER
Number of homes brought back to market through No Use Empty	GREEN

Libraries, Registrations and Archives	
Indicator Description	Current Status
Average number of e-books issued per day	GREEN
Average number of daily online contacts to the service	RED
Number of ceremonies conducted by KCC officers	GREEN

Sports	
Indicator Description	Current Status
Sports – Income levered into Kent (£000s)	GREEN

Division	Director	Cabinet Member
Economic Development	David Smith	Mark Dance

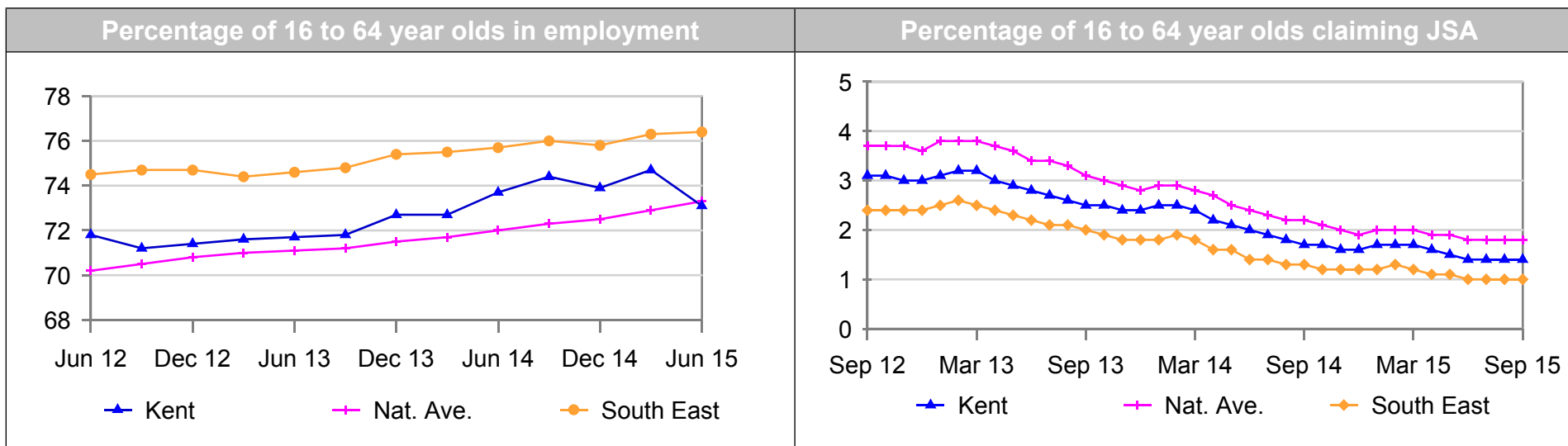
Results for the month of September.

Ref	Performance Indicators	YTD	YTD RAG	YTD Target	YTD Floor	Pr. Yr. YTD
ED04	Confirmed FTE jobs created/safeguarded through RGF (cumulative since start of schemes)	2,513	AMBER	2,748	2,336	1,281
ED05	Number of homes brought back to market through No Use Empty	250	GREEN	250	200	285

To date a total of 2,513 Full Time Equivalent jobs have been confirmed as created or safeguarded by the Regional Growth Fund loan schemes in Kent, with 1,232 of these in the last twelve months, providing a strong boost to the Kent economy, although this is slightly lower than originally expected due to some project delays.

The No Use Empty programme returned to use a total of 1,781 long term vacant empty properties in the last three financial years, and is currently on target to achieve 500 properties returned to use this financial year.

Division	Director	Cabinet Member
Economic Development	David Smith	Mark Dance



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The indicators above provide contextual information on the general state of the Kent economy.

The percentage of 16 to 64 year olds in employment is derived from the Annual Population Survey (APS) which is a sample survey. The results of the survey come with statistical confidence intervals, which for Kent are plus or minus 1.9%. Over time this indicator gives a good indication of trend, but due to sampling issues sudden unexplained shifts can occur, as for example with the June 2015 result. The June figure cannot be taken as an indication of a sudden shift in the employment rate in Kent due to sampling variation inherent in the survey method, and further data for September and December will need to be examined as this may show a correction back to a position where Kent is above national average. The latest data for June suggests that the economically inactive population in Kent is about 208,000 (22.8%) whereas previous data suggested this was 195,400 (21.4%). The economically inactive population includes individuals who are students, looking after family/home, temporary or long term sick or retired.

The percentage of the population claiming Job Seekers Allowance (JSA) is a good proxy measure for unemployment and is a 100% count of claimants. The JSA Claimant rate is currently low compared to past trends and has been stable for the last few months. The number of people unemployed, as defined by the International Labour Organisation (ILO), includes individuals on other benefit types and also those not on benefits but seeking work. The number unemployed as defined by the ILO and as estimated by the APS is about three times greater than the count of those claiming JSA.

Service Area	Head of Service	Cabinet Member
Libraries, Registrations and Archives	Andrew Stephens	Mike Hill

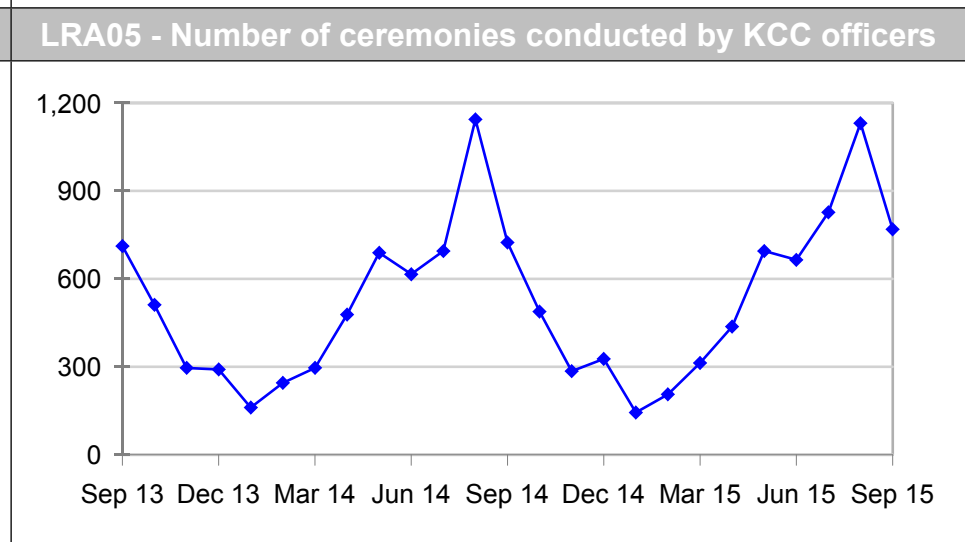
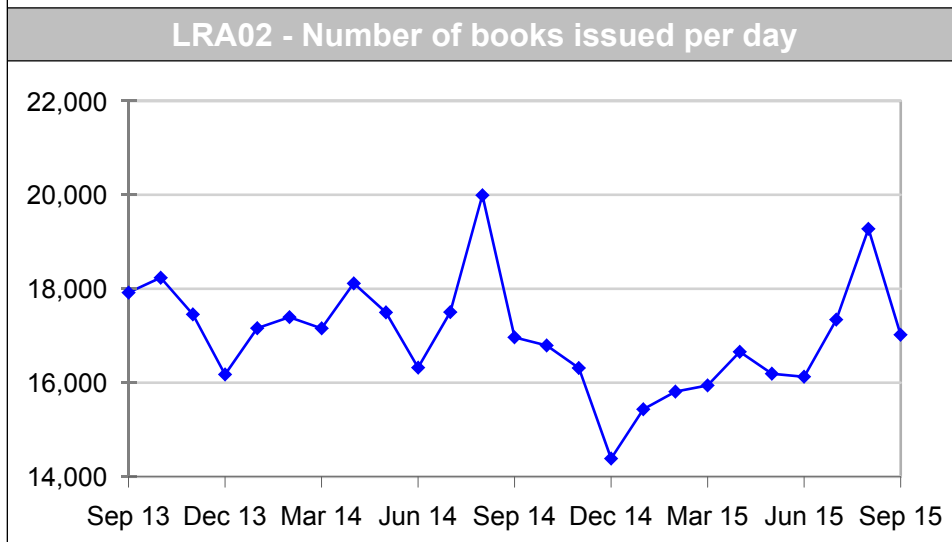
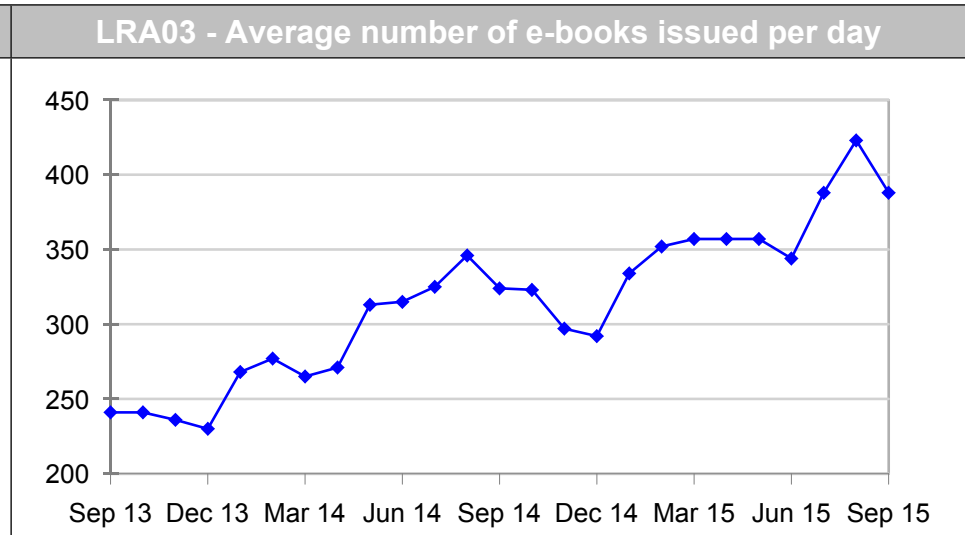
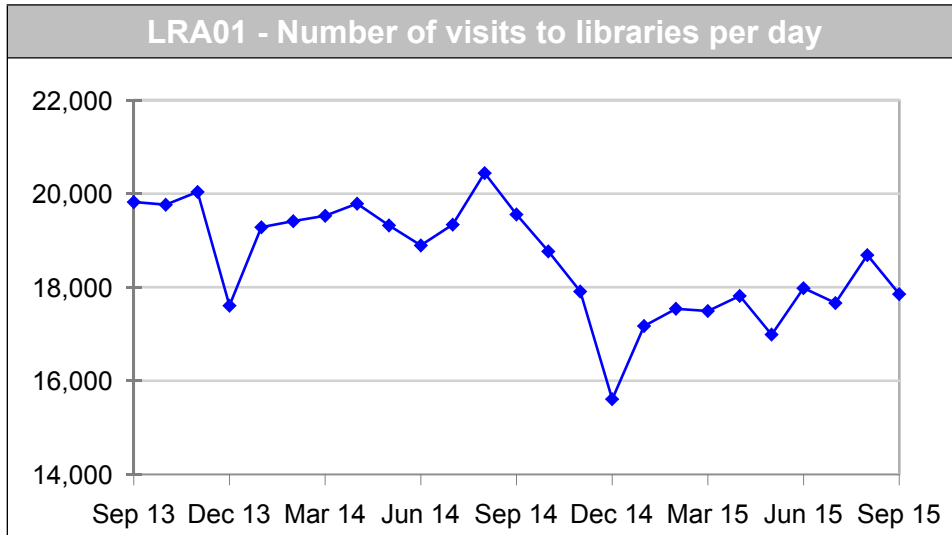
Results for the month of September.

Ref	Performance Indicators	Latest Quarter	Quarter RAG	DOT	Year to Date	YTD RAG	Target YTD	Floor YTD	Prev. Yr. YTD
LRA03	Average number of e-books issued per day	400	GREEN	↑	376	GREEN	340	300	316
LRA04	Average number of daily online contacts to the service	2,498	RED	↑	2,396	RED	2,675	2,475	2,678
LRA05	Number of ceremonies conducted by KCC officers	2,727	GREEN	↑	4,524	GREEN	4,300	3,225	4,346

LRA04 - Although visits to the LRA webpages on kent.gov.uk have increased by 3.3% on the same period last year overall online use has reduced by 3.5%. This is as a result of a 39% drop in the use of Online Reference resources. The reasons for this are being investigated, including carrying out a non-user survey, to find out whether the service has the best products for its customers. Checks are being carried out on other library services to see if this is a common trend.

Ref	Activity Indicators	Year to date	In expected range?	Expected Activity		Prev. Yr YTD
				Upper	Lower	
LRA01	Number of visits to libraries per day (includes mobile libraries)	17,830	Yes	19,329	17,664	19,553
LRA02	Number of books issued per day (includes audio- and e-books)	17,107	Yes	17,816	16,276	17,722

Service Area	Head of Service	Cabinet Member
Libraries, Registrations and Archives	Andrew Stephens	Mike Hill



Division	Director	Cabinet Member
Sports	Katie Stewart	Mike Hill

Results for the month of September.

Ref	Performance Indicators	Year to Date	YTD RAG	Target YTD	Floor YTD	Prev. Yr. YTD
EPE09	Sports – Income levered into Kent (£000s)	1,472	GREEN	1,375	750	2,007