

From: Derek Murphy, Cabinet Member for Economic Development
Simon Jones, Interim Corporate Director of Growth, Environment & Transport

To: Growth, Economic Development and Communities Cabinet Committee – 1 July 2021

Subject: **Inward Investment Services – Award of Contract**

Decision No: TBA

Classification: **Unrestricted**

Past Pathway of report: None

Future Pathway of report: For Cabinet Member Decision

Electoral Division: All: Inward investment service is County wide.

Summary:

Kent County Council is seeking to procure Inward Investment Services for the period August 2021 to April 2023.

Recommendation:

The 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 a contract with the successful bidder for the provision of inward investment services and provide authority to the Director of Growth and Communities the delegated authority to enter into necessary contractual arrangements to let the contracts as shown at Appendix A.

1. Introduction

- 1.1 Kent County Council provides a contracted inward investment support service to assist companies to locate and grow in Kent and Medway. The service has been funded by the European Regional Development Funding (ERDF) and administrated by the Ministry for Homes, Communities and Local Government (MHCLG), with match funding from Kent County Council and Medway Council.
- 1.2 The Inward Investment Service delivers, alongside Kent County Council and Medway Council, specific outcomes that contribute to economic development in Kent and Medway. These are:
- More investment opportunities from overseas markets
 - Increased supply chain benefits for local businesses
 - More inward investment in Kent and Medway
 - Raised profile as a destination for inward and foreign direct investment.
- 1.3 The current inward investment services contract is delivered by Locate in Kent. It commenced in August 2016 and will run until the end of July 2021. A

further contract is required to continue the service for a period from 1st August 2021 to 30 April 2023, and the procurement process to achieve this is underway.

2. Background

- 2.1 Led by Kent County Council as the applicant, the Foreign Inward Investment Kent (FIK) project is funded by the ERDF Programme. It commenced in August 2016 and its activity end date was in October 2019. The project was designed to attract and support high value, high technology, leading edge, and high growth UK and foreign inwardly investing SMEs. All target outputs for the project were met.
- 2.2 The County Council submitted a Project Continuation Request (PCR) to the Ministry of Housing, Communities, and Local Government (MHCLG) to extend the project from November 2019 to April 2023, which was successful. It is intended that the FIK project will be extended and improved, building on its initial success in attracting and supporting SMEs in Kent and Medway.
- 2.3 An element of the PCR request was a non-financial project partnership with East Sussex for intelligence sharing purposes. From March 2020, the ERDF projects have been known as FIKMES (Foreign Inward Investment Kent, Medway, and East Sussex) to take account of the addition of East Sussex.
- 2.4 The contract with Locate in Kent commenced in August 2016 and was due to run until the end of July 2020. In February 2020, Kent County Council sought to procure Inward Investment Services for the period August 2020 to March 2025 on a 2yrs 8 months basis, extendable for a further 2 years subject to satisfactory performance and availability of funding. However, this process was stopped due to the Coronavirus pandemic and the need to divert KCC's procurement team resources to services requiring immediate support to deal with the County's pandemic response.
- 2.5 Accordingly, it was agreed that the contract with Locate in Kent should be extended in accordance with Regulation 72 of the Public Contract Regulations 2015 and with Procurement Policy Note 1-20 (Response to Covid19) published by the Cabinet Office in March 2020. With endorsement from MHCLG as principal funding provider, the Cabinet Member for Economic Development approved the extension of the current inward investment services contract with Locate in Kent for the period 1 August 2020 to 31 July 2021.
- 2.6 In February 2021, Kent County Council started a new procurement process to secure a service provider for the period 1 August 2021 to 30 April 2023. The new inward investment services contract cost will be £1,666,667 + VAT. The contract will be funded by KCC, Medway Council and the European Regional Development Fund (ERDF) Growth Programme. The ERDF funding is subject to a Grant Funding Agreement between KCC and MHCLG.

3. The new Contract

- 3.1 The key features of the proposed new service are:

- Promoting Kent and Medway in overseas markets;
- Securing investment into Kent and Medway that will create new jobs;
- Maintaining close contact with investing businesses through an aftercare programme.

3.2 The specific activities of the FIIKMES project are:

- Foreign inward investment promotion (sector and place marketing) and support activities;
- Business relocation support, locating premises and finance.
- Focused support to potential high-growth, local SMEs in priority sectors. For example, to assist businesses to consolidate and / or grow through specialised, strategic support in light of Covid-19 pressures or to adapt following Brexit.
- Innovation and supply chain support focused on key sectors.
- Retention and aftercare support for new inward investors and existing businesses.

3.3 Over the period 1 August 2021 to 30 April 2023¹, the FIIKMES project will have the following Output Indicators for Kent and Medway:

- C1 (Number of enterprises receiving support) – 62
- C8 (Employment increase in supported enterprises) – 156
- C29 (Number of enterprises supported to introduce new to the firm products) – 7
- C5 (New enterprises supported) – for monitoring purposes only, no separate target

3.4 These outputs will be included in the overall targets for the Kent and Medway contract for the period 1 August 2021 to 30 April 2023. These are a minimum of 2,800 new jobs from SMEs and non-SMEs and a minimum of 100 successful business investment/location/expansion projects.

3.5 A key aspect of improving the service has been to develop a strategic link with the East Sussex sub-regional aspect of the South East Invest project, which is also supported by the ERDF Programme. Although the East Sussex component of the project will be delivered under a separate inward investment services contract managed by East Sussex County Council, a close working partnership between the two services for Kent and Medway and East Sussex is now underway. From March 2020, the ERDF projects have been known as FIIKMES (Foreign Inward Investment Kent, Medway, and East Sussex) to take account of the addition of East Sussex. A typical benefit of this partnership is the sharing of information on investment projects that might mutually benefit jobs creation across the county border and assist new investors in either county to resource their businesses with sufficient, skilled employees. An added benefit is that partnership of this nature is looked on favourably by funding providers because it shows that a strategic approach to the service has been considered. This will assist the chances of securing

¹ Subject to the Mobilisation period and timeframe set out at 3.2 of this report, this date reference could slip by approximately 2 weeks.

future funding for continuation projects if this becomes available.

4. Service options

4.1 Five options were considered:

- **Option 1 - Doing nothing**

This would mean having no further external service commission after the cessation of the current contract with Locate in Kent, and no in-house provision within KCC. This would provide significant financial savings to KCC. However, because there is currently no comparable business support service in Kent and Medway, this would result in a failure to capitalise on opportunities for growth in the local economy and job creation, and to support businesses following the significant economic impacts brought to bear by the Coronavirus pandemic

- **Option 2 – Do minimum**

This would mean establishing for the first time a bespoke, outward-facing business support service based in KCC. Although currently KCC does not have the expertise in-house to provide the specialised, face-to-face support that businesses require, this would potentially deliver cost savings to the County Council. However, it is unlikely to attract financial support from Medway Council, the ESIF programme and the private sector. There would also be TUPE implications of transferring staff from the current supplier to KCC. There are also currently difficulties of establishing a new team of this nature at a time when the return to office situation is not fully settled.

- **Option 3 – Minimum Plus**

This would mean an external supplier providing a less ambitious service at a lower cost than currently. This would deliver financial savings to KCC and provide some specialised inward investment services post-Brexit. However, it would put at risk the ERDF funding and would result in a reduction in the county's ability to compete for domestic and foreign inward investment, and it is uncertain whether financial support would be forthcoming from Medway Council.

- **Option 4 – Preferred option (Fully Contracted Service)**

This would involve delivering a targeted approach to attracting more domestic and foreign business investment to Kent and Medway, focusing specifically on the opportunities and challenges in a post-Brexit economy. This is the preferred option and is supported by the proposed funding partners, who will provide financial support for the duration of the proposed commission.

- **Option 5 – Most ambitious / more ambitious than preferred (Fully Contracted Service PLUS)**

This would be expected to cover all sectors across Kent and would thus increase targets and outputs. Although there would be higher targets and more business beneficiaries, with the potential to create more jobs, this option would cost more than the provision in the Council's agreed budget.

4.2 The preferred option will deliver an improved service and a more targeted approach to attracting domestic and foreign investment in a post-Brexit

economy. It is the best fit that offers an optimal service with the funding that is available.

5. Timetable

5.1 The proposed procurement timeline for the new contract is set out below:

Stage	Timescale
Specification Development	Jan – March 2021
Tender and Contract Documentation	
OJEU Advert Placed	19 th March 2021
Standard Selection Questionnaire (SSQ) submitted	19 th April
Tender Issued	13 th May 2021
Tender Negotiation and Evaluation	7 th – 25 th June 2021
Contract Award	28 th July 2021
Contract Mobilisation	29 th July – 14 th August
Contract Commences	1 st August or 15 th August 2021

6 Financial implications

6.1 The expected total revenue cost of the contract from 1 August 2021 to 30 April 2023 is £1,666,667 + VAT and requires the service provider to support both SMEs and Non-SMEs. There are no capital costs. The breakdown of financial contributions that provide the budget is shown in the table below:

Funding use	Funded by	1 Aug '21 – 31 Mar '22 (8 months)	1 April '22 – 31 Mar '23 (12 months)	1 - 30 April 2023 (1 month)	Total
SME support	ERDF	£285,714	£428,571	£ 35,714	£750,000
SME support	Kent County Council	£285,714	£428,571	£ 35,715	£750,000
Non-SME support	Kent County Council	£ 19,048	£ 28,571	£ 2,381	£ 50,000
Non -SME support	Medway Council	£ 46,667	£ 70,000	£ -	£116,667
	Totals	£637,143	£955,714	£ 73,810	1,666,667

6.2 The current budget available is £512,000 for 2021/2022) to support inward investment activity, which includes the KCC match funding requirements to draw down the ERDF awarded as per the table. The table excludes the costs of the previous contract (April to July), the salary of 1 x KCC officer providing project support and the services of the KCC external funding team who provide first level control and verify the ERDF Claims being made. It is assumed that the level of budget currently available at least remains at this level to support the duration of the contract period. Therefore, the overall contract and support mechanisms are affordable and within budget currently identified.

6.3 The principal element of funding for this contract comes via the European Regional Development Fund (ERDF) to deliver support to Kent and Medway's SME businesses, which must be matched equally by other funding sources. In this case, the matched funding comes from Kent County Council (a 50/50 basis). Kent County Council operates many projects that access ERDF funding on the same funding basis.

6.4 As ERDF Funding is aimed solely at SME businesses, Kent County Council and Medway Council also opt to offer funding support into the inward investment service to assist larger, non-SME businesses, where the opportunity for example to assist with high growth employment opportunities can be maximised.

7. Legal implications

7.1 The successful service provider will be subject to Kent County Council's Terms and Conditions, which have been reviewed by Invicta Law to take into account ERDF funding conditions and to generally make them fit for purpose for this contract.

8. Equalities implications

8.1 An Equalities Impact Assessment has been undertaken for the service. No issues have been identified.

9. Other corporate implications

9.1 An early-stage Data Protection Impact Assessment has been undertaken for the service. No issues have been identified although this will be kept under review as the project continues

10. Governance

10.1 The contract will be monitored, and performance reviewed by the Growth and Communities Directorate.

11. Conclusions

11.1 Kent County Council has managed a successful inward investment service for more than 20 years, which has consistently met and in many instances exceeded its targets. A wealth of businesses have been supported to set up business in Kent and Medway, and the annual publication of the Kent Property Market Report has assisted investors, developers, and commercial real estate businesses to understand Kent and Medway's property market and operate effectively in the county. Furthermore, the administrative management of the inward investment service has been officially noted as exemplary by MHCLG. The service accords with Kent's Interim Strategic Plan, "Setting the Course", which places a strong emphasis on the importance of attracting investment.

11.2 A report by Hatch Regeneris in January 2020 on Kent's inward investment service made a cost effectiveness and value for money assessment against 20 other business support project evaluations. With a 'cost per job created'

indicator that ranged from £5,100 as the minimum and £16,800 as the maximum cost per job across the projects, Kent's inward investment service cost per job was most favourable at £4,700.

- 11.3 The budget requirement on KCC for the new contract is significant, but budget is in place to meet the cost. The benefits that accrue from the service delivery justify the investment. Jobs are created at relatively low cost per job, and many people are placed into employment for significant lengths of time and with the subsequent wealth creation that develops as a result.

12. Recommendation:

The 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 a contract with the successful bidder for the provision of inward investment services and provide authority to the Director of Growth and Communities the delegated authority to enter into necessary contractual arrangements to let the contracts as shown at Appendix A.

13. Appendices:

Appendix A – Proposed Record of Decision

EqIA:

<http://kcc-app610:9070/documents/s104397/InwardInvestmentServiceEQIA.doc.pdf>

14. Contact details

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