

By: Mark Dance Cabinet Member for Regeneration & Economic Development
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To: Cabinet – 14th May 2012

Subject: East Kent Regional Growth Fund – Expansion East Kent

Classification: Unrestricted

Summary:

Kent County Council has received a grant of £35 million from the Government's Regional Growth Fund. This will be used to fund Expansion East Kent, a programme of financial support to business in East Kent for investments that will lead to job creation.

This report summarises the aims of the Expansion East Kent programme and sets out proposals for its operation and governance, including the establishment of an Investment Advisory Board.

Cabinet is recommended to:

- Note the contents of this report;
 - Approve the proposed governance arrangements for the Expansion East Kent programme; and
 - Approve the membership of the Investment Advisory Board
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1. Introduction

The Regional Growth Fund

1.1. The Regional Growth Fund (RGF) is a national fund worth £2.4 billion between 2012 and 2016. It is intended to support job creation and private sector growth in areas that are currently disproportionately dependent on employment in the public sector.

1.2. Last year, following the decision by Pfizer to exit its research and development facility at Sandwich, KCC successfully applied to the Regional Growth Fund for investment as part of a wider package of measures to promote economic growth in East Kent. Submitted on behalf of the Sandwich Economic Development Task Force, KCC has secured £40 million in RGF investment, which consists of:

- £35 million to support the Expansion East Kent programme of direct financial assistance to business (set out in more detail below); and
- £5 million to support improvements to the rail line between Ashford and Ramsgate to enhance journey times.

- 1.3. Following the Key Decision made in April, KCC has entered into a formal contract with the Department for Business, Innovation and Skills (BIS) for the £35 million Expansion East Kent grant. A separate draft grant agreement for the £5 million line speed enhancement element is currently being negotiated.
- 1.4. The remainder of this report is concerned with the £35 million Expansion East Kent grant only.
- 1.5. The BIS contract states all funding from RGF must go directly to businesses, therefore KCC's Regeneration Fund has allocated a maximum of £1.7 million to support programme administration, management and marketing costs.

The Expansion East Kent programme

- 1.6. The Expansion East Kent programme (ExEK) funded by RGF will deliver a programme of financial support to businesses with plans to expand and create employment opportunities. It aims to create or safeguard 5,000 jobs in East Kent as a result of the funding.
- 1.7. Funding will be available to spend until 31 March 2016. Within the terms of our grant agreement, there will be two types of funding directly available to individual businesses:
 - **Repayable Finance** – This means loans to business offered (in most cases) on an interest free basis, with monies recycled to maintain the ExEK fund over a longer period. It is envisaged that the majority of the funding will be offered on this basis.
 - **Grants** – Non-repayable grant will also be available in exceptional circumstances (e.g. for large inward or mobile investments).
- 1.8. The terms and conditions of the contract with BIS state all funding applications awarded by KCC as the accountable body must:
 - Demonstrate job creation and good value, and all proposals will be assessed against clear criteria;
 - Be made against specific investment proposals, which would be fully appraised before funding is issued;
 - Secure private sector matching investment (ExEK will only pay for a portion – generally no more than 35% - of project costs)
 - Be fully compliant with state aid legislation.
- 1.9. Following KCC's decision to enter into a contract with BIS, funds have now been deposited with KCC, to be drawn down when eligible projects come forward. However, pending the approval of governance and management arrangements, no contracts with individual businesses have yet been entered into, and the programme will be launched to applicants on 27 April 2012.

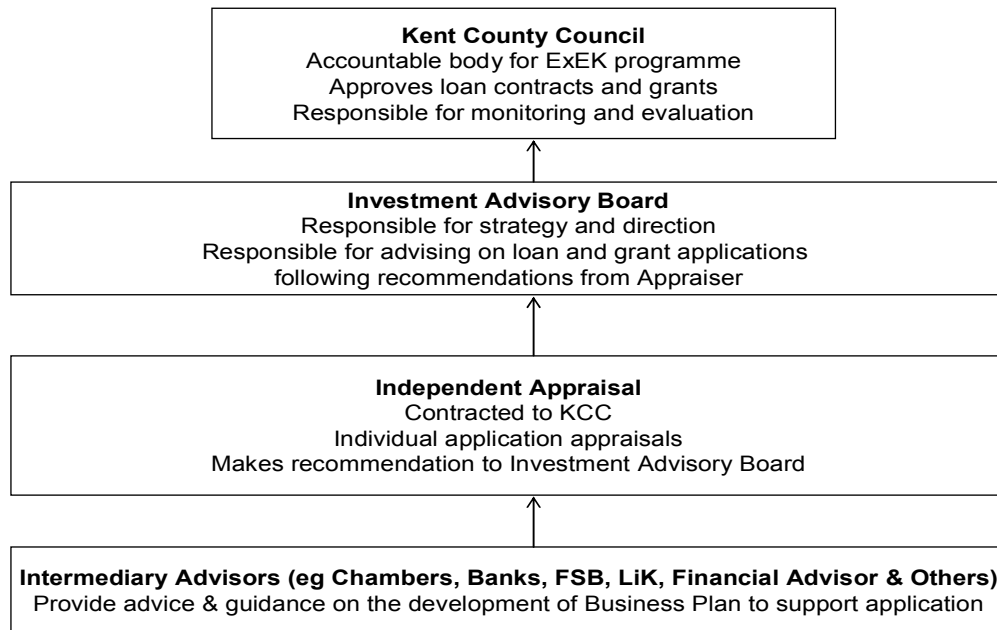
2. Operational structure

- 2.1. Last month, KCC accepted the role of accountable body for ExEK. The following paragraphs set out the proposed way in which this role will be fulfilled

following consultation with Legal and Democratic Services that transparent governance and management roles will be maintained.

- 2.2. The diagram below sets out the proposed operational structure. This aims to maintain a balance between independent, private sector advice and clear accountability.

Expansion East Kent Governance Structure



ExEK/Jacqui Working Docs/ExEK Governance Structure

- 2.3. Taking each element of the structure in turn, from application to funding approval:

Initial application

- 2.4. Businesses wishing to apply for ExEK support will be able to submit an initial expression of interest online. This will then be checked for eligibility by the ExEK team employed directly by KCC. Eligible applicants will then be invited to submit a full application. This initial process will ensure that applicants will not waste time on ineligible projects.
- 2.5. Substantial discussion has also taken place with banks and the major business intermediary organisations in East Kent (such as the Chambers of Commerce) to ensure that they are aware of ExEK and are able to support clients and members in putting forward applications.

Appraisal

- 2.6 All applications will be independently appraised by an external company PriceWaterhouseCooper. The independent appraiser will assess applications against the following criteria:

- (a) **Additionality** - This will test whether the grant assistance is necessary for the project to go ahead.
- (b) **Jobs created and sustainability** - This will measure the number of new, private sector jobs created.
- (c) **Funding use/ value for money** - This will test the nature of the funding required, ensuring that ExEK grant is not spent on routine investment.
- (d) **Local benefit** - This will test how far the project benefits the local economy, taking into account income generated and any displacement impacts either within East Kent or beyond.
- (e) **Applicant history** - This will include credit checks on lead applicants and investigation of previous grants received or rejected.
- (f) **State aid regulation compliance** - This will ensure geographic and sectoral eligibility with state aid rules.

2.7. The independent appraiser will provide a report to IAB, recommending approval, rejection or approval with conditions.

Investment Advisory Board (IAB)

2.8. Following appraisal, all applications will be considered by a public/ private IAB, in line with Terms of Reference (mentioned in Section 5 below). The IAB will bring together specialist business advice and will recommend approval, approval with conditions, deferral or rejection of individual applications for funding, based on the independent appraisal.

Approval

2.9. KCC will approve the allocation of all funds, taking into account the recommendations of the IAB, the Terms of Reference and the Investment Strategy. It is recommended that all final decisions to approve, approve with conditions, reject or defer grant and loan applications are made by the Cabinet Member for Regeneration and Economic Development and Leader of the Council.

Payment and monitoring

2.10. KCC shall be responsible for the payment of grants and loans and their recovery where appropriate.

2.11. KCC shall also be responsible for monitoring all allocations, ensuring that funds are used for the purposes intended, monitoring employment and other outputs and reporting spend and outputs achieved to BIS as required.

3. Strategy and oversight

3.1. To ensure that the ExEK fund is marketed towards those businesses and sectors with the greatest potential for growth and job creation, KCC will prepare an Investment Strategy.

3.2. In addition to its role in considering individual applications, the **IAB** shall perform an independent strategic oversight role. This shall involve:

- (a) Providing advice, monitoring and review of the overall Investment Strategy for the use of the ExEK Fund whilst drawing on the Board's industrial and commercial experience.
- (b) Keeping under review the performance of the programme against the outputs and leverage levels specified by BIS.

3.3. In consultation with the IAB, the Investment Strategy will be updated on a regular basis.

Membership of the IAB

3.4 Terms of Reference have been drawn up for the IAB. These state the Board will be appointed by the Accountable Body and consist of no more than 10 and no fewer than 7 Members. The majority of Board Members shall be from private sector. The Accountable Body must be represented by an elected representative and Members from other local authorities must also be elected representatives.

3.5 A number of public and private sector representatives have been approached to join the Board, with the aim of achieving a balance of knowledge and expertise. It is proposed that the Board membership will consist of the following:-

Paul Carter – Leader of Kent County Council (Chair)

Mark Dance – Cabinet Member for Regeneration and Economic Development (Vice-Chair)

David Smith (formerly BIS)

Miranda Chapman (Managing Director, Pillory Barn Creative – Media)

Ian Ellis (Director, McCabe Ford Williams – accountancy)

Simon Howell (King's College, London – Professor of Endocrine Physiology)

Elias Dencker (Stakeholder Manager Dong Energy – renewable energy)

Eliot Forster (Managing Director, Creabilis SA – pharmaceutical R+D)

Financial sector representative –TBC

Representative from Locate in Kent – TBC

Member of Parliament (2) – TBC

John Gilbey (elected member to represent East Kent districts)

4. Management

4.1. The ExEK programme will be managed internally within KCC. Up to £1.7 million has been allocated by KCC's Regeneration Fund to support a small core team within the Economic Development Unit. This core team is now in place.

5. Timetable and next steps

5.1 The official launch and opening of the ExEK programme was on 27 April 2012. The launch was held at the Winter Gardens in Margate. It will be the first opportunity to promote the details of the programme including the eligibility criteria and application process. It will be a rolling programme that will allow applications to be submitted at anytime after 27 April 2012.

5.2 Should Cabinet accept the recommendations of this report, it is anticipated that the IAB will be established over the next month.

6. Recommendations

6.1 It is recommended that Cabinet:

- a) Notes the contents of this report and the current position in the development of the programme.
- b) Approves the governance arrangements for the ExEK programme as detailed in the report including the recommendation (para 2.9) 'that all final decisions to approve, approve with conditions, reject or defer grant and loan applications are made by the Cabinet Member for Regeneration and Economic Development and Leader of the Council'.
- c) Confirms the approval of the membership of the Investment Advisory Board.

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EXPANSION EAST KENT
INVESTMENT ADVISORY BOARD
REVISED TERMS OF REFERENCE

March 2012

1. Purpose

1.1 This document sets out the Terms of Reference for the Investment Advisory Board established to support the Expansion East Kent Programme.

2. Definitions

2.1 Within these Terms of Reference, the following definitions apply: -

2.2 Expansion East Kent (ExEK) is a programme of public grant assistance to business in East Kent Districts (Canterbury, Dover, Shepway and Thanet). The ExEK Fund supports this programme, which is an investment from Government of £35 million between 2011/12 and 2016. Details of the ExEK programme are set out in the Programme Grant Agreement between Kent County Council (KCC) and the Department for Business, Innovation and Skills (BIS) (dated 14th February 2012) and in the ExEK Manual (dated March 2012).

2.3 KCC is the Accountable Body for the ExEK programme and as such is responsible for: -

- the allocation and management of Government funds provided for the purpose of the ExEK programme;
- ensuring that contracted outputs are met; and
- ensuring that the programme is managed in accordance with grant conditions (including State Aid restrictions).

3. Functions of the Investment Advisory Board

3.1 The Investment Advisory Board has been established by KCC as the Accountable Body to: -

- (a) Provide advice, monitor and review the overall investment strategy for the use of the ExEK Fund. This will include (for example) encouraging applications from particular sectors or geographical areas, and determining the conditions under which investments from the ExEK Fund that should be allocated.
- (b) Making recommendations to KCC whether to approve, reject or defer individual applications for funding from the ExEK programme, and to advise on the amount and form of the assistance to be offered.

- (c) Keep under review the performance of the programme against the outputs and leverage levels specified in the Programme Grant Agreement and take action (as set out in (a) above) to improve performance where appropriate.

3.2 The intention is that Members of the Board when giving advice should make a distinctive contribution by drawing on their industrial and commercial experience of businesses within the sectors and areas covered by the programme.

4. Membership

4.1 The Board shall be appointed by the Accountable Body and consist of no more than 10 and no fewer than 7 Members. The Accountable Body will provide the Board's Secretariat.

4.2 A majority of Board Members shall be from the private sector.

4.3 The Accountable Body shall be represented by an elected representative. Members from other local authorities must also be elected representatives

4.4 Elected representatives may nominate one Alternate to take their place should the Board member be unable to attend.

4.5 Members may join the Board with the agreement of the Accountable Body and the Board.

4.6 Members shall be appointed until 31st March 2014. Reappointment may be made at the appropriate Annual Meeting, with no limit to the number of times a Member may be reappointed.

4.7 New Members may be appointed within the year, subject to the provisions of paragraphs 4.1, 4.2 and 4.5

4.8 Members may resign from the Board by giving no less than 20 working days' notice to the Chairman and Secretariat.

4.9 The Chairman may (at his/her discretion) require that a Member resign should that Member (or his/her Alternate) fail to attend four consecutive meetings of the Board, provided that the Secretariat has sent a letter to the member following the failure to attend three consecutive Board meetings.

5. Quorum

5.1 The quorum of the Board shall be 5 or 50% (whichever is the greater), of which at least one must be the Board representative of the Accountable Body (or his/her Alternate).

5.2 Should a Board meeting not be quorate, the Chairman may arrange a Special Meeting of the Board to deal with outstanding business, or may allow business to adjourn to the following ordinary Board meeting, or may allow Board Members to convey their views electronically to all the other Members.

6. Chairman

- 6.1 The Board shall elect a Chairman from amongst the Members of the Board.
- 6.2 The Board may also elect a Vice-Chairman from amongst the Members of the Board.
- 6.3 The Chairman shall preside at meetings of the Board. In the absence of the Chairman, the Vice-Chairman shall preside. In the absence of the Chairman and the Vice-Chairman, the Board shall elect a Member of the Board to act as Chairman for that meeting only.

7. Conflicts of Interest

- 7.1 A Register of Interests shall be held by the Secretariat. Members shall be responsible for ensuring that the Secretariat is informed of any changes that should be made to the Register of Interests. The Register will be available for public scrutiny.
- 7.2 Should a Board Member become aware that s/he has any interest, direct or indirect, in any matter being considered by the Board, then s/he shall: -
 - (a) disclose the interest to the meeting and not take part in any consideration or discussion of the matter or vote in any questions with respect to it; and
 - (b) unless the meeting invites him/her to remain, withdraw from the meeting.
- 7.3 The rules in 7.2 apply whether or not the interest concerned is already set out in the Register of Interests.
- 7.4 However, the rule in 7.2 above does not apply where the interest concerned relates primarily to the general interest of any public sector Member in his/her area of geographical responsibility, or to the interests of East Kent as a whole.

8. Secretariat and administration

- 8.1 Secretariat and administration shall be carried out by KCC. This shall include management of the project appraisal process, preparation of Board agendas, papers and minutes and the efficient execution of Board decisions.
- 8.2 The Board shall be asked to give its advice on the basis of detailed case papers, circulated in advance, and short oral presentations by the appraisal team.
- 8.3 The Board shall be entitled to ask the Secretariat to prepare sectoral and geographic analyses of applications, and impact assessments, and papers evaluating the administration of the programme.

9. Minutes and agenda

- 9.1 Minutes of meetings of the Board shall be prepared by the Secretariat and circulated to Board Members within at least 10 working days after each Board meeting together with the proposed Agenda for the next Board for confirmation.
- 9.2 The papers for the Board meetings shall be circulated to the Board by the Secretariat not less than five working days before each Board meeting.

10. Decision-making

- 10.1 Recommendations agreed by the Board shall be taken by consensus.
- 10.2 In the absence of consensus, the following matters require the support of at least 75% of Board members present, including the support of the representative of the Accountable Body (or his/her Alternate):
- (a) Appointment of new Board Members.
 - (b) Election of the Chairman or Vice-Chairman.
 - (c) Approval or variation of the Investment Strategy.
 - (d) Variation of the Terms of Reference.
- 10.3 Where the Board decides to recommend approval, rejection or deferral of an application, that decision shall be without prejudice to any subsequent application.
- 10.4 All applications for assistance from the ExEK Fund shall be appraised and recommended for approval before being submitted to the Board. The Board shall make no decisions unless the Board has received the appraisal documentation.
- 10.5 The recommendations shall be summarised on form ExEK 1 attached here as Appendix 1. The Chairman or Vice-Chairman of the Board must sign off the form.

11. Urgent decisions

- 11.1 The Chairman may decide that a matter requires an urgent decision. In the event that an urgent decision is required, the Chairman may either: -
- (a) through the Secretariat, call a Special Meeting giving no less than three working days' notice. In such a case, the quorum requirements set out in (5) shall apply; or
 - (b) through the Secretariat, request that a decision be made by e-mail. In such cases, the Secretariat shall provide Board Members with appropriate information requesting a decision in no less than three working days. The minimum response for a decision to be made shall be 50% of Board Members, or 5 Members (whichever is the greater), including the Member representing the Accountable Body. In the absence of consensus, the provisions set out in paragraph 10.2 shall apply.

12. Transparency

- 12.1 The Board shall seek to operate in an open and transparent manner.
- 12.2 Where items should be regarded as commercial in confidence, this shall be clearly specified.
- 12.3 Commercially sensitive information is likely to be circulated to the Board. All applications for assistance and papers describing negotiations with applicants will be considered as having protected information and shall be marked "Restricted – Commercial". A summary outcome of the Board's discussions and its recommendations shall be on the public record, but with appropriate exclusions for commercially sensitive information. The detail of individual cases will remain confidential between the Board, KCC and applicant companies. The Freedom of Information Act 2000 will apply to Board papers and to records of the Board's discussions.
- 12.4 Following approval by the Board, minutes of the Board shall be made publicly available via the ExEK website.

13. Reporting

- 13.1 The Board shall consider and approve an Annual Report setting out a presentation of Fund allocation, expenditure and output over the course of the year. This shall be publicly available and disseminated widely.
- 13.2 In addition, the Board may provide updates on its activities to interested organisations and partnership bodies on either a regular or ad hoc basis.

14. Board meetings

- 14.1 Board meetings shall be scheduled in such a way that the business of the Board can be expedited efficiently and in accordance with the target timescales for decision set out in the ExEK Manual.
- 14.2 In any case, the Board shall meet no less frequently than once every three months.

15. Termination

- 15.1 The Board shall terminate its activities when the operation of the ExEK Fund ceases.

16. Indemnity

- 16.1 The Accountable Body shall indemnify the Members of the Board in respect of all decisions and recommendations made by the Board.

17. Variations of Terms of Reference

- 17.1 The Board may decide to vary its Terms of Reference, provided the procedure in paragraph 10.2 is followed.

Expansion East Kent

Investment Advisory Board

Recommendation Summary Form

Ref No	Board Meeting	Value of Investment	Recommendation (Approve/Reject)	Decision

APPROVED BY:-

Signed by Chairman (Paul Carter Leader of Kent County Council	Signature	Date	
Signed by the Cabinet Member for Regeneration and Economic Development.	Signature	Date	

Register of Interests

East Kent Expansion Investment Advisory Board

Date of meeting and Agenda Item	
Brief Summary of Item	
Application Reference if applicable	
Name of Board member declaring an interest	
Interests declared	
Any other matter relating to the declaration	

Date:

Signed: