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To: Economic Development Cabinet Committee - 5 July 2012

Subject: REGIONAL GROWTH FUND: PROPOSAL FOR NORTH KENT

Classification: Unrestricted

Summary:

Kent County Council, together with other partners in the Thames Gateway Kent Partnership, has submitted a proposal to the third round of the Government's Regional Growth Fund for TIGER – Thames Gateway Innovation, Growth and Enterprise. TIGER seeks £30.5 million in Government support to establish a programme of direct loan and grant support to business for projects that will increase employment (especially higher-value employment) in North Kent.

This paper introduces the TIGER project and our application to the Regional Growth Fund and outlines the implications for KCC should the application be successful.

The Committee is asked to note this report.

1. Introduction: The Regional Growth Fund

- 1.1. The Regional Growth Fund is a national Government fund which is available to support projects and programmes which will lead to the creation of private sector jobs in areas affected by high levels of public sector dependency and relatively weak private business growth. Funding is allocated on a competitive basis, with two bidding rounds taking place in 2011 – the second of which led to the successful of the Expansion East Kent programme, which is now being delivered.
- 1.2. Earlier this year, the Government announced a third round of RGF funding, with £1 billion available to be allocated nationally. In response to the Government's call for projects, KCC (on behalf of Thames Gateway Kent Partnership) submitted an application on 13 June for the TIGER programme.

2. TIGER – Thames Gateway Innovation, Growth and Enterprise

- 2.1. The TIGER programme aims to provide financial support to businesses seeking to invest in projects that will create higher-value employment through the development of new products, services and processes. It recognises that

while funding is available for initial research and development (for example through the Technology Strategy Board), there is no public support available in North Kent for commercialisation, despite the clear gap in economic outcomes between the Thames Gateway and the South East's other growth areas and the continuing reluctance of the private sector to invest.

- 2.2. TIGER seeks to respond to this gap by providing targeted funding (mainly on an interest-free loan basis) to companies where this will secure additional private sector finance and support the sustainable job creation. To enable this, we have requested £30.5 million grant assistance from RGF.
- 2.3. Geographically, the bid focuses on North Kent (Dartford, Gravesham, Medway and Swale) with the addition of Thurrock. This follows discussions with the South Essex local authorities, recognising the common issues faced by business across the Thames Gateway (as well as current challenges such as the significant job losses at the Coryton oil refinery).
- 2.4. The bid proposes the creation of three streams of funding that would be made available to business, were the TIGER proposal to be successful:
 - a) A **rolling programme** of financial assistance, offered primarily within the state aid block exemptions permitting public support for investment aid to SMEs, aid for research and development and aid for young innovative enterprises;
 - b) A programme of support for the development of **innovation centres** across North Kent, building on the existing network;
 - c) A programme of **sector-focused competitions** for funding with set deadlines, which will assist the scheme in targeting particular areas of growth potential.
- 2.5. Supporting the bid, we have received a number of preliminary expressions of interest from business in North Kent for investment projects that could be taken forward should the application be successful. We have also secured support from the major High Street banks, recognising that TIGER could help to unlock bank finance.

3. Accountability, governance and management

- 3.1. The bid to Government proposes that Kent County Council would act as the accountable body for TIGER, in the event that the application is successful. This will mean that KCC will be responsible for issuing grant and loan agreements to individual businesses and for reporting on performance to Government. This role will essentially be the same as the role that KCC currently performs in relation to the Expansion East Kent programme. To support the programme, we will also need to appoint a small management team.

- 3.2. While there may be economies of scale in managing the TIGER programme alongside Expansion East Kent, management (including support for business applicants) is likely to cost around £1.5 million over the three years from 2013/14 to 2015/16. This will partly be funded by other North Kent partner authorities, but if successful in securing TIGER, it is anticipated that there will be an application to the KCC Regeneration Fund of £750-850k to cover KCC's contribution.
- 3.3. The bid sets out indicative governance arrangements, which envisage that decisions to award grants or loans will be made by a private sector-led panel operating as a sub group of Thames Gateway Kent Partnership. However, the details of how this will operate are to be determined.

4. Next steps

- 4.1. The deadline for applications to RGF was 13 June. Previous rounds have been highly competitive, and we understand that there have been around 400 applications to the current round (although details of these have not been made available).
- 4.2. BIS is expected to announce which bids have been successful in October or November. Initial offers of grant will be subject to due diligence, with the programme likely to start in April 2013.

5. Recommendations

- 5.1. The Cabinet Committee is recommended to note this report.

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Supporting documents:

Annex 1: TIGER application overview (copies of the full application to the Regional Growth Fund are also available on request).