



**Investing in Thames Gateway  
business: A prospectus**  
June 2012

# EXECUTIVE SUMMARY

**TIGER will unlock the growth potential of the Thames Gateway by providing a package of direct grant and loan support to businesses with real drive for innovation and growth. Focused on North Kent and Thurrock, it aims to create 3,400 jobs – and catalyse a higher-value, more competitive economy for the longer term.**

We are seeking £30.5 million through the Regional Growth Fund to bring forward over £400 million in private sector investment over the next ten years. 100% of the proposed RGF investment will go direct to final business beneficiaries – with support costs funded locally.

This prospectus sets out our strategic case for investment in the Thames Gateway, our complementary programme for locally funded business support and our plans for practical delivery.

## A business-led programme

TIGER has been driven by business and informed by business demand. It focuses on the need to unlock finance for small and medium enterprises seeking to commercialise innovative products, services and processes, where these will create jobs and growth.

Businesses have already come forward with investment projects, which have the potential to unlock growth, but which are constrained by a lack of private finance. TIGER will help to deliver Government’s national objectives at a local level – making Regional Growth Fund investment directly available to local businesses.

Part of a coordinated approach to commercial growth, TIGER is backed by a consortium of new and emerging businesses, universities, banks, business organisations and the Thames Gateway local authorities, including:

SMEs	Banks
AvaPac (UK) Ltd (manufacturing)	Barclays
Capital Space Ltd (business centres)	HSBC
Entity Group Ltd (information systems)	Lloyds TSB
FloPlast Ltd (manufacturing)	NatWest
Food Machinery Co Ltd (manufacturing)	<b>Larger businesses</b>
Heat Domestic Ltd (renewable energy)	Aesica Pharmaceuticals Ltd (life sciences)
Macknade Fine Foods (leisure)	Delphi Diesel Systems (manufacturing)
ToxiMet Ltd (life sciences)	Lafarge Cement UK Ltd (const’n materials)
Vivacta Ltd (life sciences)	BAE Systems plc
<b>Business support and representatives</b>	Wire Belt Co (manufacturing)
Business Support Kent CIC	<b>Private-public partnerships</b>
Centre for Engineering and Manufacturing Excellence	Thames Gateway Kent Partnership
EEF – the manufacturers’ organisation	South East Local Enterprise Partnership
Federation of Small Business	<b>Universities</b>
Kent Invicta Chamber of Commerce	Canterbury Christchurch University
Locate in Kent	University of Cambridge Institute for Manufacturing
	University of Greenwich
	University of Kent
<i>Plus Dartford Borough Council, Gravesham Borough Council, Kent County Council, Medway Council, Swale Borough Council and Thurrock Council</i>	

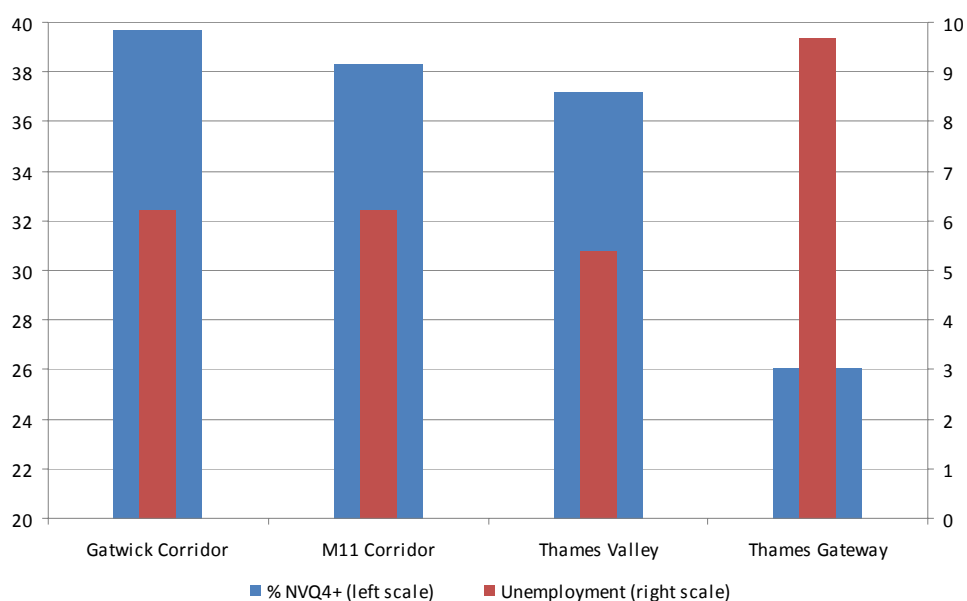
# THE CASE FOR INVESTMENT

## Unlocking the potential of the Thames Gateway

Stretching from the City to Sheerness and Southend, the Thames Gateway is a national priority for economic growth. As the potential for expansion to the west and north of London becomes increasingly constrained, the Thames Gateway is the country's great opportunity to expand the economy of the UK's only world city.

We have **significant opportunities**. Competitive land and labour costs alongside rapid national and international transport links make the Thames Gateway a potentially attractive business location. A substantial manufacturing base – mainly consisting of SMEs – is underpinned by global names such as BAE Systems and Delphi. Major opportunities in new sectors are emerging, for example with the development of the manufacturing industry in support of offshore wind energy in the Thames, and the designation of the Medway Estuary as a Centre for Offshore Renewable Engineering. There is the potential for the Thames Gateway to be as much of a powerhouse of the UK economy as the Thames Valley and the Gatwick and M11 Corridors. Yet despite its enormous potential, skills and business investment remain lower in the Thames Gateway than other areas surrounding London.

### *The gap: The South East's growth corridors compared<sup>1</sup>*



With investor confidence low and our traditional industrial base under pressure – as witnessed by the recent closure of Petroplus at Coryton - the gap between the Thames Gateway and London's other growth corridors could continue to grow – increasing the overall economic imbalance and leaving the Gateway's potential untapped.

So we need to build on our existing business base to create a higher value, more resilient economy – less dependent on the public sector and less vulnerable to economic shocks. This will only happen with private sector investment – and targeted support to ensure that it is unlocked.

<sup>1</sup> ONS Annual Population Survey. % of workforce qualified to NVQ4+ (Jan-Dec 2010); unemployment rate (Oct 2010-Sep 2011)

# BUSINESS DEMAND

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## The TIGER approach to growth: What businesses are saying

Business, local authorities and support agencies have worked together to identify the drivers and actions necessary to unlock growth. Businesses were clear - provide additional support to **innovation and growth** focused on **directly incentivising businesses to invest** where this will lead to higher-value job creation which will unlock private finance.

Key issues that businesses have highlighted include<sup>2</sup>:

- Although grant support is available for research and development (through the SMART products offered by the Technology Strategy Board), there is often a gap in support for initial investment to commercialise new innovations, which an element of public sector support could help to unlock.

*“Having demonstrated proof-of-principle for [our] technology, [we] are now ready to move towards commercialisation. As part of this, we are planning a significant upgrade in our manufacturing capability... leading to product introduction in 2015.... We expect that private investors will be encouraged to support the company if grant aid is available and that investors may make their support conditional [on this assistance]”*

Small business (less than 50 employees) in life science sector, Sittingbourne

- The Regional Growth Fund potentially offers significant direct support to business, but most SMEs in the Thames Gateway are excluded from applying direct, due the £1 million threshold. Many businesses also commented on the complexity of previous grant support schemes and emphasised the need for clarity.
- Public sector financial support is welcome... but it only works if it kick-starts private investment. Business confidence remains low and needs to be encouraged. Well-designed low interest loan financing could help to fill the funding gap and ensure that businesses have a firm stake in the success of the project.
- A support package geared to the needs of SMEs with ambitions to grow is essential to the success of any local package of assistance. The new Growth Accelerator will be part of the solution – but local support in accessing finance and building local networks will be important alongside direct funding.
- A lack of quality, flexible accommodation linked with business support frequently holds young and innovative enterprises back – and discourages them from locating in the Thames Gateway. Where public sector has been made in supplying high quality innovation facilities, demand has been high, but developers are not yet confident enough to invest
- Business links are more important than political boundaries. Supply chain links across the Thames Gateway are complex – so we must not let conventional geographical borders get in the way of growth.

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<sup>2</sup> Business consultations with Swale Economic Regeneration Partnership, Kent Invicta Chamber of Commerce, Thames Gateway Kent Partnership business forum, Kent Business Advisory Board, plus discussions with individual businesses. A full list of businesses that contributed expressions of interest in TIGER is available.

# OUR PROPOSALS FOR GROWTH

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## Key principles: Aims and objectives

Building on our consultation with business, we have developed a programme which will:

- Help growing companies unlock access to private sector debt and equity finance;
- Concentrate assistance on those parts of the economy with the greatest potential to contribute to a sustained increase in value – balancing short-term job creation with long-term sustainability; and
- Form part of a wider package (locally funded) to support North Kent’s business environment. We don’t just want a three-year funding boost; we want a credible and stable framework for local growth.

## The TIGER programme

Based on these key principles, we have designed **TIGER – Thames Gateway Innovation, Growth and Enterprise**. TIGER consists of a **core financial offer**, for which we are requesting RGF support, underpinned by a wider **support offer**, funded locally.

### *The core financial offer*

At its heart, TIGER will offer **financial assistance** to businesses seeking to invest in new products, processes or markets, or potentially seeking to expand existing activities where they will lead to sustained employment.

The financial assistance package will consist of three products:

- a) **A rolling programme** of financial assistance. This will mostly be offered in the form of ‘repayable finance’ – i.e. an unsecured loan offered on grant conditions and with the requirement to meet job creation and other targets, paid back at 0% over an average period of five years.

However, recognising that there may be circumstances in which a potentially sustainable and job-creating project could not be viably delivered through a loan agreement, we will retain the flexibility to offer grant support where required. We anticipate that 75% of the value of the rolling programme will be offered in loans, with the remaining 25% offered as grant.

The rolling programme will be open to applicants at any time. Further details on the project application, approval and delivery process are set out in the next section. We have allocated **£20.5 million** to the rolling programme.

- b) **A programme of support to develop innovation centres** across the Thames Gateway. As business consultation demonstrates, a lack of quality accommodation holds young businesses back – and has discouraged others from establishing in the Thames Gateway. Where new facilities have been developed with public support, they are very successful. For example, the Medway Innovation Centre at Rochester (linked with the University of Greenwich) has an occupancy rate of around 90%, just four years after opening.

The TIGER innovation centres fund will provide part-funding to develop additional facilities, where demand can be demonstrated and ongoing support provided. We already have evidence of interest from the Centre for Engineering and Manufacturing Excellence (CEME) based at Dagenham in establishing an engineering design centre for SMEs in North Kent, and further proposals are emerging from a range of other potential

providers. Following the development of an independent demand study, assistance will be provided through a competitive process with fixed deadlines. Funding through the innovation centres programme will be issued on 100% repayable basis at 0% interest. We have allocated **£5 million** to the innovation centres programme.

- c) A programme of competitions** for funding to support projects in the Thames Gateway’s identified priority sectors, such as advanced manufacturing, low carbon and environmental goods and services or software and communications technology. This will operate through specified calls for projects with fixed deadlines for applications, along the lines of the process currently operated by the Technology Strategy Board.

Finance offered through competitions will be made available on the same basis as the rolling programme (i.e. 75% interest-free loans, with the remainder disbursed as grant). However, it will provide an additional mechanism to enable us to respond to changes in market demand. We will also target SMEs in key sectors with growth potential, especially where they are linked with supply chain opportunities associated with growth opportunities, such as the Sheerness and Medway CORE, or the major investment at London Gateway. We have allocated **£5 million** to the competitions programme.

### What’s the cost?<sup>3</sup>

We have analysed the cost per job for each of the three programmes, based on evaluations of previous grant and loan schemes and (in the case of the innovation centres programme) recent build costs. Overall, the average cost per job is estimated to be £11,450 (based on 2,664 jobs directly created or safeguarded). While some schemes have delivered lower costs per job, TIGER’s focus is on quality and sustainability, not just short-term gain.

This overall figure assumes an element of displacement, which we have incorporated into the cost. However, displacement will be minimised as TIGER will be directed primarily at SMEs seeking investment to serve markets which are not purely local and where sufficient private finance cannot be accessed.

TIGER will also be partially sustainable – even assuming a loan default rate of 10%, the fund will still be able to issue loans and grants over a 20 year period – reducing the long-term cost to the taxpayer to around £5,000 per job created or safeguarded.

### The support offer

Business has said that the core financial offer will only work if it is supported by a wider package of measures to promote innovation and business expansion. So TIGER is accompanied by a programme of **business advice** – funded by local partners – to support businesses with high growth potential in accessing private finance, TIGER investment and the supply chain opportunities associated with larger inward investment. This will be complementary to – and is backed by – the Government’s Growth Accelerator service.

#### TIGER support offer...

- One-to-one support to assist potential applicants for TIGER finance
- Targeted support to businesses with high growth potential



#### ... Linked with

- Growth Accelerator
- Local start-up support
- University Innovation Vouchers
- Medway Partners for Growth small business finance scheme

<sup>3</sup> This section is a summary of the key points contained in TIGER: Technical Support Annex, June 2012

# OUR PLANS FOR DELIVERY

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## Governance

The **Thames Gateway Kent Partnership Board**, a strong public-private partnership which has been running for 11 years chaired by business will, with the involvement of partners in Thurrock, be responsible for agreeing and keeping under review the **TIGER Investment Strategy**. This will confirm the key sectors on which we will focus, how we will encourage applications and how invitations to compete will be drawn up for the innovation centres and competitions elements.

The TGKP Board will appoint a decision-making **TIGER Panel** to approve applications. This will include a representative of the accountable body and will have a private sector majority, including representatives of our priority sectors.

The **accountable body** for TIGER will be Kent County Council (KCC). KCC has recent experience in launching and running a RGF2 -funded programme to support business in East Kent. This has included completion of the due diligence processes, appointment of independent appraisers, identification of investment priorities and the launch of the programme: applications for this programme are now being processed. KCC has also acted as the accountable body for funding programmes in the Thames Gateway, including the EU-funded URBAN programme. KCC will be responsible to Government for all RGF funds and for ensuring that systems are in place to deliver effective project appraisal, monitoring and compliance with state aid and other regulations.

### TIGER Panel: Proposed members

We will appoint a private-sector chaired Panel to approve investment decisions. Membership is to be determined, but is likely to include representatives from major multinational organisations with a presence in the Gateway (such as Lafarge), medium-sized manufacturers at the core of the local business network (such as Wire Belt Co) and representatives of the smaller businesses who will be the main beneficiaries of TIGER.

## Management and support

All costs of managing TIGER will be borne by local partners - 100% of RGF funding will go directly to business.

We will appoint a **Programme Manager** and a small team to ensure that the scheme is effectively promoted, applications are processed in a timely manner, projects are appraised, monitored and evaluated and the TIGER Panel is supported. Full programme management costs are set out in Part 2 of the RGF Application Form.

## Promoting the programme

TIGER will be promoted by the Programme Management Team, TGKP partners and local business forums through targeted marketing to businesses in those sectors that are best placed to drive greatest value from the programme. Already, preliminary marketing has led to the submission of 12 pre-application expressions of interest from businesses that have real investment projects, but are facing a funding gap.

However, we anticipate that much of the marketing for TIGER will come from the banks and other private sector intermediary organisations, such as accountants and financial advisors. In consultation, the major High Street banks have indicated that they would welcome TIGER as a key product in unlocking access to bank lending.

*“In my view, TIGER should assist businesses’ prospects for expansion and future job growth in the short to medium term by helping to de-risk projects and potentially unlock institutional investment... In principle, HSBC would be prepared to work alongside the scheme ... subject to our normal lending processes and criteria. [TIGER] will I believe be a vital component in Kent’s recovery”*

Ed Wratten, Area Commercial Director, HSBC

There will also be opportunities to cross-market other public sector support programmes in a more targeted way. For example, links will be made between businesses benefiting from TIGER support and initiatives such as the Kent Employment Programme (within the Kent County Council area) to promote job opportunities for apprentices and recent graduates.

### **How it works: the customer journey**

We want to ensure that TIGER genuinely unlocks private finance and delivers sustainable projects with real growth potential. All project proposals will be subject to robust appraisal, with a strong emphasis on innovation and value for money. For the rolling programme, the applicant journey will be as follows:

- When the programme is opened to applications, a comprehensive set of criteria will be issued specifying eligibility in the light of the state aid rules and the Investment Strategy
- Businesses will be able to apply at any time by completing a **pre-application enquiry form** available online. Businesses will also be able to access assistance from the support offer to help in their application.
- Pre-applications will be checked for basic eligibility (e.g. to ensure that the application is for investment in the North Kent or Thurrock parts of the Gateway). If eligible, a full application form will be issued.
- Once the business has submitted a full application form, it will be appraised by an independent appraiser, contracted through competitive tender.
- Once appraised, projects will be brought before the TIGER Panel, for approval or rejection.
- If approved, a loan or grant agreement will be drawn up by Kent County Council. Loan agreements will specify the profile of the loan payment linked to delivery milestones as well as the repayment schedule, depending on the needs of the project.

Similar arrangements will be put in place for the innovation centres and competition programmes, although with fixed deadlines and specified briefs.