

**By: Mark Dance**  
**Cabinet Member for Regeneration and Economic Development**

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**To: Economic Development Cabinet Committee – 5 July 2012**

**Subject: Expansion East Kent Update**

**Classification: Unrestricted**

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### **Summary:**

In November last year, the government announced that Kent County Council had been awarded a grant of £35 million under the second round of 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 provides a brief update on the development of the scheme.

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## **1. Introduction**

### The Regional Growth Fund

- 1.1** The Regional Growth Fund (RGF) is a national fund worth some £2.4 billion between 2012 and 2016. It is intended to support job creation and private sector growth in areas that are disproportionately dependent on employment in the public sector.
- 1.2** Last year, following the decision by Pfizer in February 2011 to exit its research and development facility at Sandwich, the County Council successfully applied to the government's Regional Growth Fund for investment as part of a wider package of measures to promote economic development in east Kent. Submitted on behalf of the Sandwich Economic Development Task Force, following a number of detailed discussions with east Kent businesses, the County Council secured £40m in RGF investment, comprising:
  - £35m to support the Expansion East Kent programme of direct financial assistance to business; and
  - £5m to support improvements to the rail line between Ashford and Ramsgate to enhance journey times.

## The Expansion East Kent Programme

**1.3** It is intended that Expansion East Kent will deliver a programme of financial support to those businesses with plans to expand and create employment opportunities in the east Kent districts of Canterbury, Dover, Shepway and Thanet. It opened to receive applications at the end of April 2012, and it is envisaged that two types of funding will be available directly to businesses until the end of March 2016. These are :

- Repayable finance – this means loans offered to business on an interest free, unsecured basis, with monies recycled to maintain the fund over a longer period than 2016. It is envisaged that most of the funding will be offered on this basis.
- Grants – non repayable grant will also be available in exceptional circumstances, for example for larger inward or mobile investments.

**1.4** The main aims of the programme are therefore to:

- increase employment in East Kent by generating a total of 5,000 jobs – 4,000 new jobs and 1,000 safeguarded jobs;
- rebalance the local economy by expanding the small business base;
- attract inward investment;
- change the perceptions of East Kent as a place in which to invest and start a business; and
- retain the area's skills base following the closure of Pfizer.

**1.5** At present the programme is open to most sectors in the local economy, except for those where EU State Aid restrictions apply, and we are particularly keen to encourage applications from sectors where new investment is important and potentially can yield significant economic benefits - for example, manufacturing, advanced engineering, tourism, life sciences and low carbon / renewable technologies.

## **2. Operational structure**

**2.1** The County Council is the accountable body for Expansion East Kent, and the diagram in Annex 1 sets out the operational and governance structure. This aims to maintain a balance between independent, private sector advice and clear accountability.

**2.2** In developing the programme, officers have worked closely with the main banks, local accountants, East Kent District Councils and the principal business intermediary organisations in East Kent (including the Chambers of Commerce, Locate in Kent, Visit Kent and the High Growth Kent team at Business Support Kent) to ensure not only that they are fully aware of Expansion East Kent but also that they are able to support businesses in developing applications for financial assistance. This is a crucial stage in the process.

**2.3** Annex 2 sets out the application process. The purpose of the Pre-Application stage is that a business is able to provide an outline of its proposal which can then be checked by officers against given eligibility criteria. Full applications are appraised independently by PWC, and their assessment is then considered by the Investment Advisory Board which in turn will make recommendations to the County Council as the accountable body.

### **3. Progress to date**

- 3.1** To date around 220 pre applications have been received from potential business applicants, and around 50% of those have been asked to submit a full application having met the eligibility criteria. Of the remainder that have not proceeded to full application stage, most of these may be in a position to reconsider their applications so that they could resubmit. Where practicable officers have advised businesses to consider attending one of the 'Enterprise Clubs' that have been set up across east Kent in partnership with Kent Invicta Chamber of Commerce, Kent Channel Chamber of Commerce and Jobcentre Plus.
- 3.2** Over 70% of applications have been received from very small businesses (less than 10 employees) and start-up businesses, and most of these from within the main sectors of:
- Manufacturing;
  - Services: and
  - Wholesale and retail activities (including hotels and smaller tourism establishments).
- 3.3** A total of 11 full applications have now been received, and these are being progressed through the appraisal process. To date 5 have now been identified for onward progression to PWC, and these should soon be passed to the Investment Advisory Board for recommendation to the County Council. Should these be successful, they would generate some 300 jobs for the area at a cost to the Expansion East Kent programme of some £11,000 per job. Significant private sector investment would potentially also be levered in by these businesses.
- 3.4** It should be noted that these are very early days for the programme, and significant further progress is expected as current Pre Applications are progressed through to Full Application stage. Further updates will be provided to future meetings of this Committee.

### **4. Recommendation**

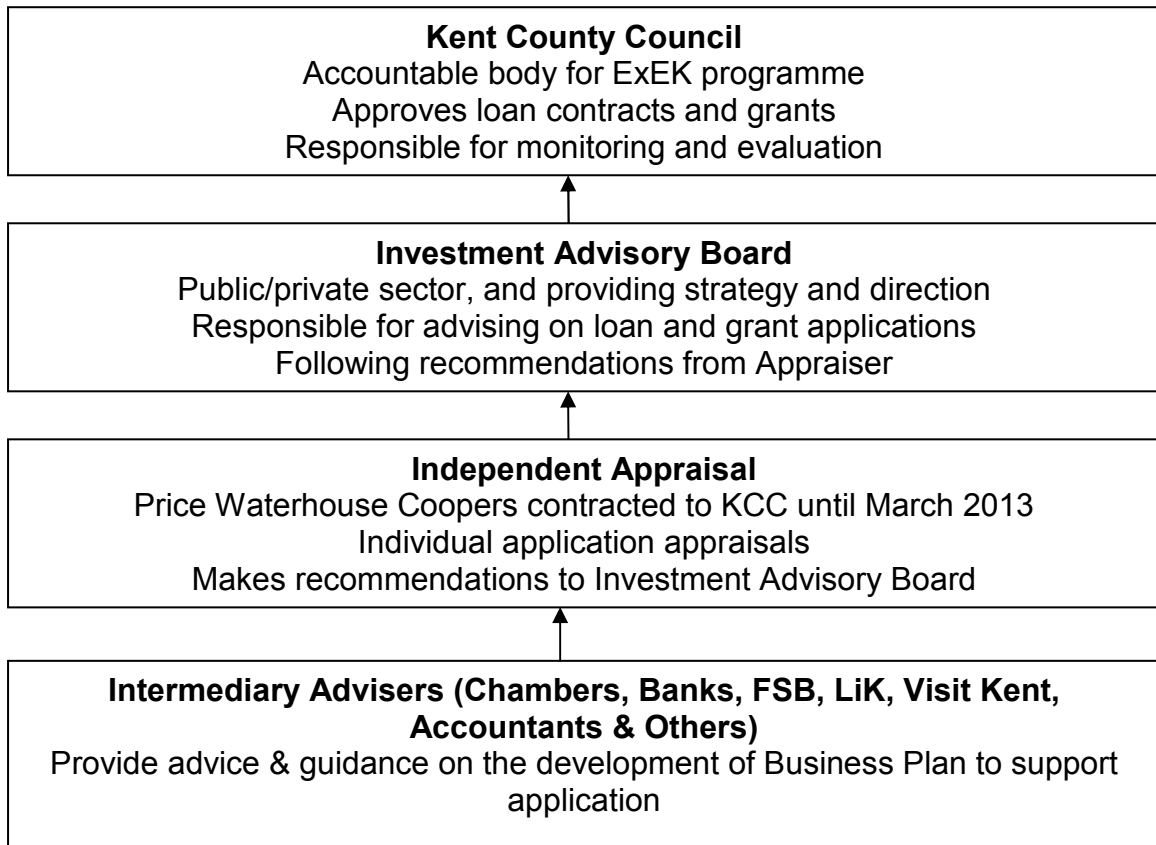
- 4.1** Members are asked to note the progress in the Expansion East Kent programme.

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Background Documents: None

## Annex 1 : Operational and governance structure



**Annex 2 : Outline Application Process**

