

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

Barbara Cooper, Director Economic & Spatial Development

**To: Economic Development Cabinet Committee
8th November 2012**

Subject: TIGER – THAMES GATEWAY INNOVATION, GROWTH AND ENTERPRISE

Classification: Unrestricted

Summary

Following a successful application to the Regional Growth Fund (RGF), the Government has awarded £20 million to Kent County Council to deliver the TIGER (Thames Gateway Innovation, Growth and Enterprise) programme. This will provide direct financial support to businesses in North Kent and Thurrock with the potential for growth with the aim of creating over 2,000 jobs and attracting a further £250 million in private sector investment.

To take TIGER forward, a Key Decision will be required to enable KCC to act as the accountable body for the programme and to enter into a formal grant agreement with the Government. This has been published in the Forward Plan.

This paper sets out the background to the TIGER programme, its aims and objectives and proposed arrangements for programme management and governance. It also sets out the formal agreements that need to be reached to draw down RGF funding. It is recommended that the Cabinet Committee:

- a) Considers the TIGER programme and the arrangements proposed for its delivery;
- b) Recommends that the Cabinet Member for Regeneration and Economic Development, through the Key Decision process:
 - i. Decides that KCC shall act as the accountable body for TIGER;
 - ii. Accepts the Government's offer of Regional Growth Fund grant in respect of the TIGER project, subject to due diligence and the approval of the terms of the draft grant agreement by the Director of Economic Development in consultation with the Cabinet Member for Regeneration and Economic Development;
 - iii. Delegates authority to the Director of Economic Development to sign on behalf of the County Council the final Grant Offer Letter

- c) Receives a further report outlining recommended governance and management options at the next meeting of the Cabinet Committee.

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, especially 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 award of £35 million for the Expansion East Kent programme currently being delivered, and a further £5 million for improvements to the rail line between Ashford and Ramsgate.
- 1.2 In spring 2012, the Government announced a third round of RGF funding, with £1 billion available nationally. In response to the Government's call for projects, KCC (on behalf of Thames Gateway Kent Partnership) submitted an application in June for the TIGER programme. This has now been approved in principle by Government, with an allocation of £20 million.

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.
- 2.3 Geographically, the programme 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 proposed the creation of three streams of funding that would be made available to business:

- 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 As most funding will be made available on a repayable basis, TIGER will be able to recycle funds. As most lending will be interest-free, the fund will not be truly sustainable, but it is anticipated that it will be able to recycle significant funds over the next decade.
- 2.6 TIGER aims to unlock private sector funding and loans as TIGER will only part-fund individual projects – with applicants required to demonstrate that they have secured additional private finance. It is anticipated that TIGER will secure around £250 million in private funding, taking into account the ability of the programme to recycle funds over the long term.
- 2.7 The original bid sought £30.5 million from Government, although given high demand for RGF resources, the actual allocation has been reduced to £20 million. Nevertheless, this represents a very good result for North Kent, and builds on the successful Expansion East Kent programme now underway.

3. Accountability, governance and management

Accountable body

- 3.1 As previously reported to the Cabinet Committee, our application to Government proposed that KCC shall act as the accountable body for TIGER. This will mean that KCC will receive the £20 million funding and will be responsible for issuing grant and loan agreements to individual businesses and for reporting on performance to Government. It will also be liable for any repayment of the RGF allocation in the event that outputs and conditions specified in the Government's grant agreement are not met. This role is essentially the same as the accountable body role that KCC currently performs in relation to the Expansion East Kent programme.

Governance arrangements

- 3.2 All applications for TIGER funding will need to be independently appraised. It was envisaged in the original bid that following appraisal, decisions to award grants or loans would be made by a private sector-

led panel operating as a sub-group of Thames Gateway Kent Partnership. KCC would reserve the right to refuse any applications that present an unacceptable level of risk.

- 3.3 However, there are other governance options which could be considered, and it is proposed that a full report outlining governance proposals is discussed at the next meeting of the Cabinet Committee.

Management arrangements and costs

- 3.4 There are likely to be economies of scale in managing the TIGER programme alongside Expansion East Kent, although there will be a need for some additional staff resource (employed by KCC), as well as additional funding for project appraisals and marketing. As the RGF grant will go directly to business, these management costs will need to be borne by local partners.
- 3.5 Revenue funding of up to £800,000 has been allocated from the KCC Regeneration Fund to contribute to the costs of managing TIGER. This will be supplemented by additional contributions from TGKP partners and from Thurrock, although the value of these contributions has yet to be agreed.

4. Securing the Regional Growth Fund grant

- 4.1 Following the Government's announcement of funding for TIGER, KCC will be required to commission due diligence of our draft grant offer. This is intended to assure both Government and the Council that we have the systems in place to effectively manage the programme. We are currently out to tender to procure independent due diligence.
- 4.2 Once Government are satisfied that due diligence has been completed, we will receive a draft final grant offer. This will form our contract with Government for the delivery of the programme and its outputs. The draft final offer will be subject to comment by KCC Legal and Finance before it is concluded, and it is recommended that the authority to enter into the grant agreement is delegated to the Director of Economic Development, subject to the due diligence process.

5. Risks

- 5.1 The main risk to KCC associated with its acceptance of a grant offer for TIGER is a failure to meet the jobs and leverage outputs associated with the programme, with the potential for grant to be clawed back by Government. This will be mitigated through the robustness of the appraisal and monitoring processes associated with each individual project and through close overall programme management.
- 5.2 A full risk register is attached as Annex 2.

6. Next steps

- 6.1 In our original application for RGF funding, we stated that we aim to launch TIGER to applicants from April 2013, providing five months from initial approval to conclude the grant agreement, launch initial marketing and determine governance arrangements.
- 6.2 A detailed setup plan is currently being drawn up leading to the launch of the scheme. It may however be possible to reduce this timescale, given the experience that we have of the setup of Expansion East Kent and the systems that are currently in place.

7. Recommendations

- 7.1 The Cabinet Committee is recommended to:
- a) Consider the TIGER programme and the outline arrangements proposed for its delivery;
 - b) Recommend that the Cabinet Member for Regeneration and Economic Development, through the Key Decision process:
 - i. Decides that KCC shall act as the accountable body for TIGER;
 - ii. Accepts the Government's offer of Regional Growth Fund grant in respect of the TIGER project, subject to due diligence and the approval of the terms of the draft grant agreement by the Director of Economic Development in consultation with the Cabinet Member for Regeneration and Economic Development;
 - iii. Delegates authority to the Director of Economic Development to sign on behalf of the County Council the final Grant Offer Letter
 - c) Receive a further report outlining recommended governance and management options at the next meeting of the Cabinet Committee.

Author Contact Details:

Name: Ross Gill
Officer Title: Economic Strategy and Policy Manager
Directorate: BSS Economic & Spatial Development

Email: ross.gill@kent.gov.uk
Tel: 01622 221312 (7000 1312)
07837 872705

Annexes

Annex 1: TIGER programme summary

Annex 2: Risk register

Supporting documents

TIGER bid to Regional Growth Fund (available on request)