

Kent and Medway Economic Partnership

KENT AND MEDWAY ECONOMIC PARTNERSHIP BOARD

10 November 2014

ITEM 6

Subject: Kent and Medway Growth Hub: Update report

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Summary

Following discussions at the last meeting of KMEP Board, this paper updates the Board on progress in taking forward the proposals for the establishment of a Kent and Medway Growth Hub to provide better coordination of the support available for business and increased financial support for businesses with growth potential.

The Board is asked to consider this report.

17. Introduction

- 17.1. Within the Strategic Economic Plan, Kent and Medway Economic Partnership made two requests for funding to support business growth. First, we proposed the establishment of a **Kent and Medway Growth Hub**, envisaged as a central signposting and information service to improve access to all forms of business support. Second, we proposed the creation of an additional service offering **direct recoverable finance to businesses with high growth potential**, where this will help to unlock additional private finance, building on the successful Escalate, TIGER and Expansion East Kent services.
- 17.2. In the Growth Deal, the Government allocated £800,000 in revenue funding to provide a 'Growth Hub' service across the LEP area. It also allocated £6 million in capital to Kent and Medway.
- 17.3. During September, consultation was held with business and with business support organisations on the potential design of the new services, and this was reported to the October meeting of KMEP Board. During the consultation, businesses in particular highlighted the complexity of the business support offer that is currently funded by the public sector (at national, county-wide and local level) and emphasised the need for better navigation and co-ordination of service provision. This view has also been expressed at KMEP and at other business partnerships around the county.

18. Progress: The Growth Hub signposting service

- 18.1. The funding made available for the Growth Hub signposting service has been allocated to the LEP as a whole. At the last meeting of KMEP Board, the Board was presented with two options: first, participation in a single, LEP-wide service (with the potential benefits of economy of scale); and second, the devolution of funding to create a local, Kent and Medway service (with the potential benefits of local coordination and management). The Board asked us to progress the second option.
- 18.2. Since then, it has been agreed with the other areas in the South East LEP that the revenue funding will be substantially devolved, although a limited amount of funding will be retained centrally to support monitoring costs, etc. While a distribution formula has yet to be determined, it is likely that Kent and Medway will receive between £250k and £300k in 2015/16.
- 18.3. It is envisaged that the Kent and Medway Growth Hub service will consist of a central website linking to all available sources of support, plus a signposting and advisory service. While the Growth Hub will need to involve all public sector business support providers across the county, it is anticipated that a 'core provider' will be appointed to deliver the central service. A draft specification for this service has been drawn up, and it is envisaged that procurement will start by the end of November following consultation in the remainder of this month, with a view to appointment in time for the start of the service in April.
- 18.4. The Government has also asked local partners to carry out a review of business support services alongside the creation of the Growth Hub. This work has been started and will inform the 'Innovation and Growth Strategy Statement' discussed previously at KMEP (including the identification of priorities for European funding from next year).

19. Progress: The 'Innovation Investment Fund'

- 19.1. At the last meeting of KMEP Board, the Board was also presented with options for the use of the £6 million capital allocation in Kent and Medway. The Board agreed that a business finance scheme should be developed building on existing schemes across the county.
- 19.2. Although £6 million is the headline funding allocation, it is profiled as £1 million per year over six years. It is therefore a much smaller amount of money than that currently available through the Regional Growth Fund-backed schemes, so it will need to be more targeted on specific sectors and growth opportunities.
- 19.3. It is therefore proposed that we establish an **Innovation Investment Fund**, which could operate as a loan and equity fund on the following basis:
 - a) The Fund is available across Kent and Medway;
 - b) As the existing RGF-funded schemes come to an end, repayments are made to the single fund (although repaid RGF would obviously still be ringfenced to the geographical area of origin and existing local branding could be retained);

- c) To manage demand over a smaller funding allocation, the Fund operates through a system of time-limited funding competitions. This would mean that rather than being open to applications at all times, the Fund would issue specific calls for projects on (for instance) a quarterly basis. These could focus on specific sectors or types of activity, enabling the funding to be more clearly targeted;
- d) The application and approval process follows that in place for the RGF schemes, with applications considered by an investment panel, using the three Investment Advisory Boards in existence. However, it is envisaged that KMEP (or a sub-group of KMEP) will have a key role in determining the strategic priorities for each call for projects, and in monitoring the Fund overall.
- e) As the Government funding into the Fund is currently unmatched, it may prove possible to use it as match to a future ERDF project for business support activities or access to finance once the new European Structural and Investment Funds programme comes into effect in 2015.

19.4. The Board's comments on these general principles are invited. This will then enable a detailed scheme to be drawn up for consultation (including an analysis of demand and consistency with national policy and programmes), and Government approval sought, so that a new scheme can start in April 2015.

20. Recommendations

20.1. The Board is asked to consider this report and to comment on the proposals for the Growth Hub and the Innovation Investment Fund.

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