

Appendix 1

Procurement Plan

TITLE: Inward Investment Services	VALUE: £2.97M	Ref: SS15 60
Procurement Lead: Louise Merchant	Date: 5 October 2015	
Client Lead: David Hughes	Position: Head of Business Engagement and Economic Development	

Commissioning Route

Following consultation with the Cabinet Member for Economic Development, it is proposed to undertake the procurement of an inward investment service for Kent County Council over a three year period from April 2016 to March 2019.

The Commissioning Route described in this Procurement Plan is set out in a Business Case approved by the Director for Economic Development in September 2015. It was also described as one of several options in a report by the client to Procurement Board in February 2015 (see Appendix 1).

Description:

The procurement of an inward investment service for Kent County Council at a cost of £0.99m per annum over a three year period from April 2016 to March 2019. The total cost of the proposed contract would be £2.97m, and would be funded by Kent County Council (£1.55m) and the European Regional Development Fund (£1.42m), the latter being dependent on the outcome of a current funding application to the Department for Communities and Local Government (DCLG).

Any future funding adjustments will be carried into the contract, both to ensure that actual funding is reflected and that any implications are fully understood by potential tenderers. No guarantee regarding future funding will be implied or assumed beyond that approved by the Council.

The key features of the re-procured inward investment service would be:

- Securing external investment into the county of Kent that will create jobs;
- Monitoring investment activity and tracking investment plans of companies in target sectors in order to build and convert a pipeline of prospective investment projects that in turn helps to create and maintain jobs in Kent;
- Promoting the County to overseas target markets and to high value sectors identified in the Kent Growth Strategy, including life sciences, advanced manufacture, low carbon and digital and creative;
- Competing with other locations being considered by potential inward investors, and developing compelling reasons why businesses should choose to locate in Kent;
- Attracting potential investors and providing key information to assist decision making;
- Working closely with key partners in the County and internationally, in collaboration with the government's UKTI Investment Services team; and
- Maintaining close contact with investing businesses through an aftercare programme.

The inward investment services contract currently funded by the County Council includes the following performance targets, which we would review and look to refresh:

No.	Performance target	Level
1	Job outcomes (combination of new, indirect and retained)	2014/15 – 2847 2015/16 – 2911 2016/17 – 2985
2	Percentage of jobs achieved are located in East Kent, Ashford or Thames Gateway	Minimum 75%
3	Percentage of jobs created are in professional or management positions or in knowledge based industries	Minimum 50%
4	Percentage of jobs created are in high growth sectors	Minimum 75%
5	% of successful inward investments visited after 12 months following project completion	100%
6	Web based statistics	Average monthly visits – 2630 Daily visits – 189 % new visitors – 70 Website enquiries – 9 per month
7	Securing other funding to support programme	Minimum 50% of the value of KCC's funding

In addition to the inward investment services contract currently funded by the County Council this procurement includes a new additional element which is focused on foreign direct investment, this will be funded by EU funding. The EU funding application to the DCLG is a 3 year (April 2016- March 2019) project. It will create additional local capacity to enable foreign direct investment (FDI) promotional and support activity not currently being undertaken, with the dual aims of attracting new, innovative and potentially high growth SMEs to Kent or supporting local expansions by overseas owned businesses. It will target priority sectors identified in the Kent Economic Growth Strategy, and will work closely with UKTI's specialist sector-based teams.

A decision on the application to DCLG is expected by the end of the year, However, if unsuccessful, it is proposed to continue with the re-procurement of the current inward investment with just KCC's funding support and not continue with the EU funding element.

Linkage to Category Strategy:

There is no specific link to a Category Strategy for this requirement and the ongoing delivery of this service is always subject to availability of funding.

Business Objectives:

The main outcomes of the Growth, Environment and Transport Directorate are to ensure that:

- Our economy is vibrant and everyone benefits from growth;
- Our high quality infrastructure makes Kent an attractive place to live, work and do business; and
- Our communities are resilient and our residents are actively enjoying life in Kent.

This project aims to deliver the first outcome, by ensuring that businesses, including SMEs, are supported and receive the advice and assistance that they need both to invest in Kent and to deliver jobs.

Within the Kent and Medway Growth Strategy and the South East Strategic Economic Plan, a strong emphasis is placed on the importance of attracting inward investment, and for local agencies to work closely with UKTI to bring new foreign direct investment to the area. Within the Kent and Medway Growth Strategy, we said that we would increase our promotion of Kent as a UK inward investment gateway, with a commitment from UKTI to match local support for inward investment where it is focused around sectors in which Kent has particular strengths.

A specific activity plan will be developed against which key milestones and deliverables will be monitored and payments will be made as part of the contract management process.

Current Supply arrangements:

There is an existing inward investment services contract with Locate in Kent, which was awarded in March 2014 following an OJEU compliant procurement process and commenced in April 2014. This contract supports investment activity across all economic sectors both within and outside the county. The contract is for 24 months with an optional extension of 1 year (expiry end of March 2017). Currently, the spend on this contract is £625,000 per annum.

There is now an opportunity to refresh and to strengthen the County Council's support for inward investment in light both of KCC's developing role as a commissioning authority, and an increasing economic development focus both by central government and the County Council on targeting and investing in those priority sectors with the greatest growth potential (such as life sciences, advanced manufacturing, low carbon and digital and creative).

Given the proposed timeline for commencement of the procurement process, a new contract would commence in April 2016 and operate for a three year period until March 2019.

Locate in Kent will be invited to tender for this new requirement as part of a fully compliant tender. If they are successful, this will supersede their existing contract.

Market Position:

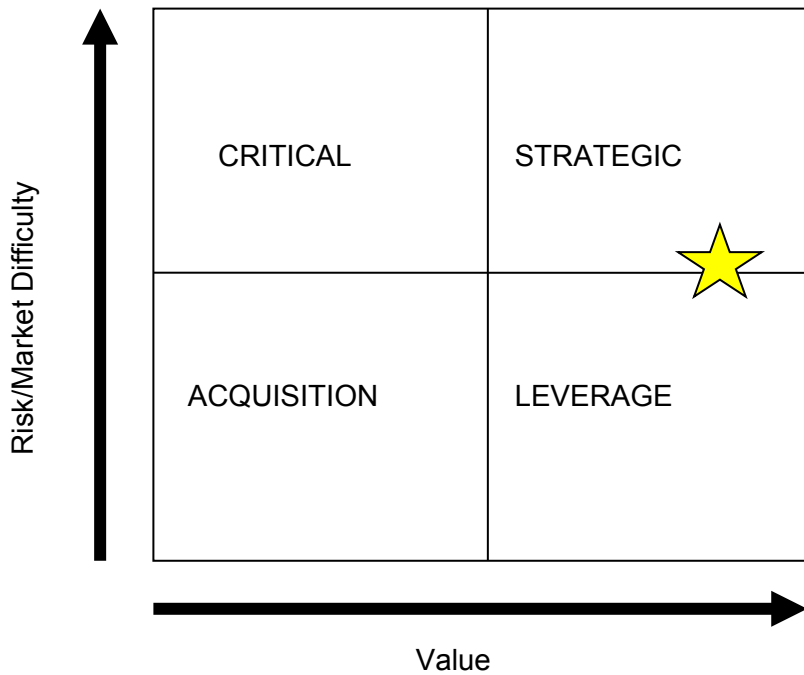
When the original inward investment contract was tendered in autumn 2013, there were initially 11 expressions of interest. However, only 1 tender was received (from Locate in Kent), and the County Council therefore undertook direct negotiations with Locate in Kent.

It was suspected that many bidders may have opted not to participate due to the significant TUPE and LGPS liabilities associated with the contract opportunity. No such issues apply to the proposed procurement.

It is difficult to assess whether there might be other local potential providers able to deliver this service. The nature of the contract is specific to Kent and will require any potential respondent to have a knowledge of the current Kent business landscape in order to "hit-the-ground running". The potential risks associated with a new entry to the inward investment market could be that continuity is lost and that the new service is not provided by a contractor wholly dedicated to inward investment, as is currently the case.

Nationally, the existing UKTI Investment Services contract with PA Consulting ended in July 2015, and is being re-procured by government. It is understood that a decision on a new three year contract will be made in the next few months, and will include a requirement for the national contractor to work closely with local providers to coordinate and manage foreign

direct investment enquiries through to delivery.



Procurement Risks:

What are the main risks in carrying out this procurement (what could go wrong?) How do we mitigate these risks?

Risk	Controls/Mitigating Action
Limited Market for competitive process	➤ The OJEU approach provides the largest coverage. However this was not sufficient in the last exercise, and further consideration will be given if necessary to wider publicity.
EU Funding not secured	➤ There is a risk that the EU funding application may not be granted by DCLG, in which case the procurement will continue with just the KCC funding.
No successful bidder found	➤ Locate in Kent's contract could continue to March 2017, or a further re-procurement is undertaken.

Procurement Route Options & Evaluation:

Part: A OJEU: Yes

The nature of the work requires a single, cohesive approach. The last exercise in 2013 only received one response, so while the OJEU provides a good degree of coverage and is the best option we should also look to advertise through other media. It is essential that this exercise sees competition to underpin a VFM solution. Given the timescales and limited market an Open Procedure is preferred.

In the event (as last time) only one response is received, it is recommended that a negotiated procedure should mitigate any risks and ensure there are sufficient levels of KPI's

to manage the contract.

This is a unique requirement and no framework options have been identified.

Procurement Route Recommendation:

Open Tender – Due to the extensive work that the respondents will be required to invest in preparation of activity plan etc, as part of their tender submission, it is felt that it would be necessary to ensure they meet some initial prequalification requirements in order to establish capability and capacity.

It is recommended that some initial market engagement is undertaken to gauge the level of genuine interest in the market place, particularly in view of the previous procurement exercise.

Outline Timescales:

Cabinet Member Approval : September 2015
Procurement Board Approval : October 2015
Advert : October/November 2015
Market Engagement (optional) : November 2015 (2 weeks minimum)
Expression of Interest period : November 2015 – December 2015
Prequalification Period: January 2016
Prequalification Evaluation : January - February 2016
Tender Period : February 2016 – March 2016 (37 days)
Tender Evaluation & Award – March - April 2016

Resources Required:

In preparation of Advert and Specification etc : Client and Procurement (November 2015, approx. 10 days)
Market Engagement (optional): Client approx.. 10 days November
Development Tender documentation: October - November approx. 20 days
Tender Release : Client & Procurement January 2016 Approx. 5 days
Tender Period (clarification etc) : January – February 37 days
Tender Evaluations: February - March 2016 Client & Procurement approx. 20 days including 10 days standstill period.
Award and Contract Finalisation : All parties, approx. 20 days March - April 2016

Reviews Planned:

The contract will be reviewed in relation both to DCLG's anticipated terms and conditions for ERDF grant (ie on a six monthly basis). The project will also be reviewed on a monthly basis with the successful supplier.

The Tender document will be created by Strategic Procurement, with cooperation from the Contract Manager and the Client. It will be QA'd by the Category Manager and Client. The opportunity will be published in the OJEU. Payment for services will be on completion of the monthly reviews and in line with the payment schedule and payment condition.

Approval to Proceed:

Signed (Procurement Professional in accordance with Delegated Authorities Matrix

:	Name:	Date:
---	-------	-------

Check List

Please review items on check list and complete response box and where appropriate include in plan above.

Check Item	Action Required	Response
Social Value	Social Value needs to be considered	Considered. The specification will include a requirement for the service to complement and contribute to the coordination of wider business support services across the county.
Equalities Impact Assessment	Is an impact assessment necessary, in most cases this will be a requirement the Service are responsible for Carrying this out. If in doubt contact Janice Hill, Equalities & Diversity Officer 01622 221981	Considered. An Equalities Impact Assessment will be completed and will accompany the business case.
Legal Support Required	Legal support requirement should be considered and agreed With the client. Also if a risk of challenge has been highlighted this should be communicated to legal and added to The risks register on the shared drive.	Considered. In consultation with KCC Legal Services, a full legal assessment of the State Aid implications of the project has been prepared by an external legal expert. The risk of challenge is low. The risk of legal action arising from service delivery is low. The service will not be providing financial, legal or technical advice.
Kent Business	Ensure plan has addressed supporting Kent Business	Done. Addressed in business case and specification.
TUPE/Pension Staff Transfers	Ascertain if there is any possibility of Staff transfers and discuss with Client. If TUPE or Pensions may be involved for TUPE discuss with legal for Pensions see Steven Tagg	Considered. No staff transfers apply.
Environment	Are there environmental issues or implications in this contract	Considered. The service is able to make a positive contribution to the environment by enabling access by potential investor businesses to support services which will assist them in reducing their energy use and improving environmental practices.
Business Continuity	Business continuity issues this does not just mean IT but consideration of providing essential services	Considered. Specification will require prospective providers to address.
Financial Risk	What is the financial risk associated with this contract, Supplier Risk: how much assessment of the supply base is necessary, what is the risk if a	Supplier risk: Low. There is a competitive market for inward investment services. Budget risk:

	<p>Supplier fails. If the tender is above EU value we should use Finance Projects Team to Carry out financial assessments.</p> <p>Budget Risk: Is the budget confirmed for the duration of the contract</p>	<p>Medium. Although the KCC budget will be confirmed for the project duration, budgetary circumstances might change over time. The EU funding is subject to an application and approval process, and there is a relatively low risk that the application will be rejected.</p>
Collaboration/Access to Contract	<p>Will this contract be shared with others, if so how is procurement being Undertaken.</p>	<p>See procurement plan. The contract will be held by KCC.</p>
Authority to Award	<p>Has the Client ensured that the Correct authority, will be in place when contract needs to be awarded. Suggest to the Client they need to do this now.</p>	<p>Considered. The value of this contract will be require a Key Decision by the Cabinet Member for Economic Development.</p>

Team Member	Proc Officer	Service Lead	Service Specialist	Service Director	etc
Action					
Draft Procurement Plan	A/R	C	C	I	
Specification	C	A	R	I	
Tender using Procontract	R	A	C	I	
Evaluation	C	A/R	R	I	

RACI Template (The template below is an example only please draw up template to suit your project)

RACI	Definition
Accountable	The role who is responsible for ensuring the action takes place (can only be one)
Responsible	The role or roles who actually carry out the action
Consulted	Roles that will be consulted about the task (views need to be considered)
Informed	Roles that will be informed (no decision making or influencing role)

APPENDIX 1

By: David Hughes, Head of Business Engagement and Economic Development

To: Procurement Board – 27 February 2015

Subject: Locate in Kent

Classification: Unrestricted

Summary: The chairman of Locate in Kent has asked if the County Council would review the terms of its current contract with LIK to enable it to compete effectively apply for new European funding opportunities. This would enable the inward investment services provided by Locate in Kent to continue beyond its current contract period to the end of 2018.

This report presents options for the Board's consideration.

1. Background

- 1.1 As part of its efforts to grow the Kent economy, the County Council has had a long term aim to secure inward investment into the county, and to support existing companies to expand rather than relocate out of Kent. Since 1997 this had been delivered by Locate in Kent, which was established by KCC as an inward investment agency, and up until March 2013 was grant funded by the County Council through a three year rolling service level agreement.
- 1.2 Early in 2013 it was felt that there was a need to examine the contractual relationship with Locate in Kent as the market for this type of service had changed. Whilst advice was sought from BIS as to the best way to proceed, the existing service level agreement with LIK was extended by one year, with an end date of March 2014. In May 2014, BIS advised that the market for these types of services had matured to the point where a competitive procurement exercise should be undertaken.
- 1.3 Following an open procurement process under OJEU rules that commenced in November 2013, in which only one bid was received, the County Council commissioned Locate in Kent in April 2014 to deliver an inward investment service for Kent. The current contract will continue until 31 March 2017 on a 2 +1 years basis, unless terminated in accordance with the Conditions of Contract, and its annual value is £625,000 plus VAT.
- 1.4 One of the key requirements of its current contract with KCC is for Locate in Kent to demonstrate a realistic plan to increase other levels of funding, both public and private, to support the delivery of its services over the life of the contract. This includes the 2014-20 European Regional Development Fund (ERDF) programme.

The first call for projects under this programme will be in March, and Locate in Kent has indicated that it would like to submit an application for funding for a three year project that will focus specifically on identifying and attracting foreign direct investment into Kent.

- 1.5** The three year project has an indicative cost of some £3.2m, and would comprise £1.5m match funding from Locate in Kent, £0.3m from the government agency UK Trade and Investment, and £1.4m from the ERDF programme.

2. Issues

- 2.1** Although the current ERDF programme covers the period 2014-20, the government's first call for proposals will be in March 2015. The call will require projects to have a minimum three year horizon and to have a value of at least £1m, so that ERDF funding will be a minimum £0.5m. Successful applications submitted in March are unlikely to be approved by government until sometime towards the end of 2015, which means that projects would be delivered over the 2016-18 period. This also means that applicants would need to demonstrate that they have available match funding for that period.
- 2.2** Locate in Kent's contract with the County Council is due to end in March 2016, with a potential extension until March 2017 subject to satisfactory performance. This would mean, therefore, that at best Locate in Kent would only be able to use the last 15 months or so of the funding it would receive from its current contract with KCC as potential match for an application for ERDF funding. At current contract values, this would be about £0.75m up to March 2017, and would fall considerably short of match funding requirements for an ERDF-funded project covering the period 2016-18.
- 2.3** The chairman of Locate in Kent has therefore contacted the County Council to ask if the terms of its current contract with LIK could be reviewed to enable timescales to be realigned to the period when ERDF funding will become available. This would then provide LIK with an opportunity to deliver an effective three year foreign direct investment programme for the period 2016-18.

3. Potential options

- 3.1** The appendix to this report sets out 5 potential options for the County Council, with likely implications and risks, which the Procurement Board is asked to consider. Each of the options assumes that the County Council would continue to commit financial support to an inward investment service beyond the current contract period, and least until end 2018.
- 3.2** In direct response to the request by the chairman of Locate in Kent, the first two options would involve switching to a Single Supplier arrangement, whilst the third option considers an early re-procurement of the inward investment service. With each of these options, LIK would envisage that the County Council's financial support would be £0.5m per annum, which is 20% less than the current year's contract value.
- 3.3** The fourth option would involve the County Council as the applicant for ERDF funding, with Locate in Kent as the initial provider until March 2017. A further procurement exercise would need to be undertaken for the remaining period to end 2018.
- 3.4** The final option assumes that LIK might apply to the ERDF programme without the security of having three years' match funding through a contract with KCC.

4. Recommendation

- 4.1 Procurement Board is asked to consider and advise on the options set out in the appendix to this report.

Author Contact Details:

Name: David Hughes

Directorate: Growth, Environment and Transport

Email: dave.hughes@kent.gov.uk Tel: 0791 763 9120

Potential Options for KCC to consider

Option considered	Implications	Risks
3 year Single Supplier agreement with LIK from Year 2 of current contract (ie from April 2016 to March 2019)	<ul style="list-style-type: none"> Existing KCC-LIK contract would be concluded in March 2016. Optional Year 3 continuation of current contract not taken up. LIK has security of funding for Inward Investment services for additional 2 years. KCC funding reduced to £500K per annum (saving of 20% on existing level of funding). 	<ul style="list-style-type: none"> Open to challenge of unfair competition from other providers of Inward Investment services. Potential challenge on procurement grounds from European Commission and other potential suppliers. Potential reputational risk to KCC significant.
2 year Single Supplier agreement from Year 3 of current contract (ie from April 2017 to March 2019)	<ul style="list-style-type: none"> Existing KCC-LIK contract runs full term (until March 2017). LIK has security of funding for Inward Investment services for additional 3 years. KCC funding would reduce to £500K per annum (saving of 20% on existing level of funding). 	<ul style="list-style-type: none"> Open to challenge of unfair competition from other providers of Inward Investment services. Challenge on procurement grounds from European Commission and other potential suppliers. Potential reputational risk to KCC significant.
Early re-procurement of Inward Investment services contract from April 2016 until March 2019	<ul style="list-style-type: none"> Existing KCC-LIK contract would be concluded in March 2016. Optional Year 3 continuation of current contract not taken up. KCC funding would reduce to £500K per annum (saving of 20% on existing level of funding). 	<ul style="list-style-type: none"> Significant risk to LIK which might not be successful in securing new contract.
KCC submits Inward Investment services application to ERDF Programme with LIK as initial supplier.	<ul style="list-style-type: none"> Existing KCC-LIK contract runs full term (until March 2017). KCC commits to funding inward investment services to end 2018. Further procurement for Inward Investment service from April 2017. 	<ul style="list-style-type: none"> KCC may decide not to fund inward investment services beyond life of existing contract with LIK. Significant risk to LIK which might not be successful in securing new contract.
LIK submits ERDF bid on the basis of existing service contract with KCC.	<ul style="list-style-type: none"> Match funding capability runs to March 2017 (18 months maximum). Further procurement for inward investment service from April 2017. 	<ul style="list-style-type: none"> LIK bid likely to be rejected because call for proposals to ERDF programme will look for 3 year minimum period. LIK might not be successful in securing new contract for inward investment service.

	<ul style="list-style-type: none">• Possibility of new supplier from April 2017.	
--	--	--