

From: Mark Dance, Cabinet Member for Economic Development
Barbara Cooper, Corporate Director, Growth, Environment and Transport

To: Growth, Economic Development and Communities Cabinet Committee – 12 January 2016

Subject: **Locate in Kent**

Classification: Unrestricted

Past Pathway of Paper: None

Future Pathway of Paper: N/A

Electoral Division: Countywide

Summary: This report provides an update on the performance to date of the inward investment services contract with Locate in Kent. An update on the procurement of a new inward investment services contract will be provided verbally to Members.

Recommendation: The Growth, Economic Development and Communities Cabinet Committee is asked to consider and note the report.

1. Introduction

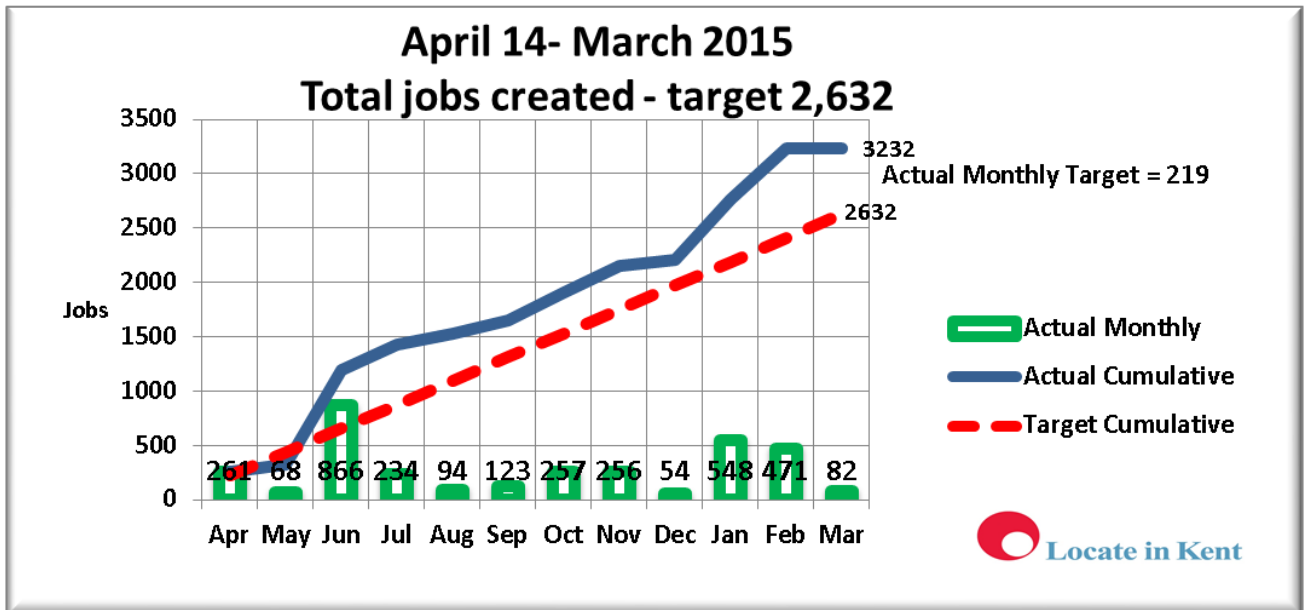
- 1.1 The County Council has an existing inward investment services contract with Locate in Kent (LIK), which commenced in April 2014 following an OJEU compliant process. The current contract is for 24 months, which expires in March 2016, and has an optional extension of one year.
- 1.2 At the meeting of this Committee on 1 December 2015, Members asked for an update on the performance to date of the inward investment services contract with Locate in Kent. Members also requested an update on progress of the procurement of a new inward investment services contract, in particular on the outcomes of the proposed market engagement and levels of interest from prospective suppliers.
- 1.3 At the time of writing this report, the initial market engagement stage of the procurement process had only just commenced. A verbal update on the outcomes of market engagement and the levels of interest from prospective suppliers will therefore be provided at the meeting.

2. Performance against current contract

- 2.1 By the end of March 2015, which was one year into the current contract with LIK, there was a pipeline of 293 active projects under consideration by the agency. Although a number of these had been carried forward from the previous year, over 200 were new projects that had been identified in 2014-15. The majority (70%) were UK based projects, the remainder being potential

foreign direct investment (FDI) projects mainly from near-Europe countries and North America. The top five sectors were life sciences, manufacturing, construction and property, environmental technologies and retail/wholesale.

- 2.2 During the same period, LIK had recorded some 3,200 job outcomes for Kent, 58% of which were new jobs, 24% were safeguarded jobs and the remainder were jobs that were indirectly created by suppliers. This compares with a target of 2,600 job outcomes for 2014-15. The pattern of growth in job outcomes over the year is shown below.



- 2.3 In contrast, over the same period the numbers of job outcomes either in professional, management and knowledge based positions (894, or 28% of the total) or in key sectors of the economy (974, or 29%) were below the targets for the year (which are 50% and 75% respectively). This is because a large number of job outcomes for the year were in retail distribution, and therefore were not counted among the targets.

- 2.4 Between April and November 2015, a further 124 new projects were added to LIK's pipeline, although a similar number of projects were also removed from the pipeline over the same period. This is not unusual for an inward investment service, because initial interest shown by some companies will inevitably drop off as they decide either not to relocate to Kent, or they move to other locations outside the County. This means that LIK currently has a pipeline of some 300 active projects, a small increase overall over the year, of which 69% are UK based and 31% are FDI projects mainly from USA and near Europe. The top five sectors are currently manufacturing, life sciences, construction and property, retail/wholesale and business services.

- 2.5 By the end of November 2015, LIK had reported some 1,700 job outcomes, 48% of which were new jobs and the remainder (52%) either safeguarded or indirect jobs.

- 2.6 As part of its service to prospective inward investing businesses, LIK maintains an extensive property database comprising industrial and commercial properties

and land availability, which is based on information supplied by Kent based property agents. The statistics show an ongoing demand for quality floorspace across the County, especially by smaller businesses looking for properties (up to 5,000 sq ft and in the 10,000 to 30,000 sq ft size range).

- 2.7 Locate in Kent also provides an “aftercare” service that has three main objectives: to identify Kent based companies that have potential expansion plans with job growth; to assist those companies that have particular opportunities and challenges; and to support those companies that are under pressure to consider relocating out of Kent which would result in jobs lost to the County. There are currently some 200 companies in LIK’s aftercare portfolio, and its role is to assist companies to find solutions to issues and concerns identified by them.
- 2.8 Some of the main issues identified by businesses supported by LIK’s aftercare service are summarised below:
- Most companies have recovered from the economic recession and are now experiencing growth in turnover and profitability. However, market conditions remain challenging and this has meant that many companies have been looking at new approaches to doing business;
 - Difficulties are being experienced in expanding into existing space, either because sites or premises have limited capacity or because of a lack of new premises in the immediate area. This has led to some companies having to reconsider relocation to other parts of Kent, or outside the County altogether (including other parts of the world);
 - Most of the companies experience difficulties in recruiting the right people, particularly at the higher skilled, professional or senior management levels. Recruitment of qualified engineers is often cited by them as being particularly difficult;
 - Some companies are also beginning to experience problems with an ageing workforce and difficulties in succession planning or attracting younger people. Many are now introducing workplace training programmes and increased use of apprenticeships;
 - Several companies have reported that there are still issues of raising finance for some projects, and this has resulted in overseas parent companies considering moving operations outside the UK.

3. Financial implications

- 3.1 Currently, the value of the County Council’s contract with Locate in Kent is £625,000 per annum.

4. Legal implications

- 4.1 There are no legal implications arising from this report.

5. Equalities implications

- 5.1 There are no equalities implications arising from this report.

Background Documents - None

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