

From: Simon Jones, Corporate Director for Growth, Environment and Transport

To: Derek Murphy, Cabinet Member for Economic Development

Subject: Contracting Inward Investment and Visitor Economy services for Kent & Medway

Key Decision: 24/00010

Classification: Unrestricted

Electoral Division: All

**Summary:**

Current contractual arrangements with Locate in Kent, Kent & Medway's Inward Investment Agency and Visit Kent, Kent & Medway's Destination Management Organisation and Local Visitor Economy Partnership come to an end on 30 June 2024. In order to ensure that Kent & Medway continue to benefit from inward investment and visitor economy services in future, these services need to be re-procured. This will ensure that the county's investment opportunities and tourism offer are widely promoted to attract inward investment, create jobs, support local businesses and increase visitor spend locally through an enhanced visitor economy offer.

**Recommendation(s):**

The Cabinet Member for Economic Development is asked to agree a decision to:

- (i) procure an Inward Investment and Visitor Economy services contract for the next two financial years. Medway Council (MC) will contribute funding to this single contract.
- (ii) Delegate to the Director Growth & Communities to take other relevant actions including but not limited to entering into required legal agreements as necessary to implement the decision as shown at Appendix A.

**1. Context**

1.1 Many areas across the UK have inward investment services and Destination Management Organisations (DMOs) in place to promote local opportunities and maximise external investment and visitor spend to boost the local economy.

1.2 Locate in Kent (LiK) and Visit Kent (VK) (formerly the Kent Tourism Alliance) were originally established by Kent County Council (KCC) to promote investment opportunities and develop the local visitor economy. KCC and Medway Council (MC) have since provided financial support and strategic direction for these services which have moved to a model where the commissioning of the services has been subject to a public procurement process.

- 1.3 Although KCC and MC face significant financial pressures, the value of these services to the local economy is significant. They make a significant contribution to increasing employment opportunities and enhancing the quality of life for local residents.
- 1.4 While not straightforward to quantify, both services contribute to reducing other KCC / MC / public sector costs in the county. By providing additional high-quality employment opportunities for local residents, the inward investment service makes a positive contribution to the one of the key economic determinants highlighted in the Kent & Medway Integrated Care Strategy that enable healthy lives; stable employment. The Visitor Economy service also directly contributes job creation and retention within the sector which employs some 75,000 people in the county. The Visitor Economy service also works to enhance local leisure time opportunities through the development and promotion of high-quality activities for local residents enhancing their quality of life.
- 1.5 The importance of the role these services play is emphasised in a number of strategic documents in Kent & Medway including:

**The Kent & Medway Economic Framework:**

- Ambition 1: Enable innovative, productive and creative businesses
  - Action Area 3: Attracting and welcoming investors to Kent & Medway
- Ambition 5: Create diverse, distinctive and vibrant places
  - Action Area 21: Developing the visitor economy

**The Kent & Medway Integrated Care Strategy:**

- Shared outcome 2: Tackle the wider determinants to prevent ill health
  - Address the economic determinants that enable healthy lives including stable employment

**Framing Kent's Future:**

- Rebrand Kent to attract national and international investment by promoting all that the county has to offer for business, learning, leisure and tourism
- Support strategic opportunities for growth through the delivery of sites and premises and support for new investment and business expansion, where it will deliver higher-value jobs and increased productivity and contributes to our Net Zero target.
- Back SMEs and entrepreneurs to start-up, grow and drive adoption of new technology to improve productivity through increased GVA (Gross Value Added) and higher wages

**2. The role of the Inward Investment Service in Kent & Medway:**

- 2.1 As the Inward Investment Agency for Kent & Medway, Locate in Kent has delivered a number of important functions including:
  - Marketing and promotion of investment opportunities in Kent & Medway
  - Lead generation activity to engage with potential investors (overseas and in the rest of the UK)
  - Providing and maintaining a commercial property database for Kent & Medway

- Working closely with the Department for Business and Trade to promote specific investment opportunities in the county
- Providing advice and support to potential investors
- Providing support for businesses to set up in their new location including property requirements, staffing, funding and local networks
- Supporting investors to grow in Kent & Medway through an aftercare programme.

2.2 During the current financial year 2023-24, LiK has so far reported 99 leads generated, 21 inward investment projects completed, 497 new jobs created, 353 jobs safeguarded, nearly 7,000 enquiries on the commercial property portal and an online marketing reach of over 1m people.

### **3. The role of the Visitor Economy Service in Kent & Medway:**

3.1 Visit Kent which is the current DMO for Kent & Medway, as well as being formally recognised as a Local Visitor Economy Partnership (LVEP) by Visit England, plays a key role in supporting and developing the local visitor economy through:

- Promoting the county to target visitor markets both domestic and abroad, and working to increase the numbers of visitors to Kent and the value of the visitor spend
- Supporting growth in Kent's visitor economy
- Providing high quality support to the tourism business sector
- Improving the skills levels of employees within the Kent visitor economy.

3.2 Some 60 million visitors come to Kent each year which equates to £3.8 billion of spend and supporting 74,462 jobs and these achievements are heavily influenced by the work of VK.

3.3 During the current financial year, VK has reported:

- A 27% increase in the number of visitor economy jobs since 2022
- Over 6,000 additional supply nights in serviced accommodation since 2022 and a 33% increase in overnight stays to 4.2m since 2022 (NB. overnight visitors spend more money than day visitor)
- A reach of over 17m impressions from digital marketing activity
- A reach of over 83m people through press coverage
- Over 1,500 tourism enterprises receiving support

### **4. Options Considered**

4.1 The following options were considered when reviewing the procurement of the inward investment and visitor economy contracts:

- a) Retender the contract on the basis of previous years; a higher cost and two separate services delivered. This was not possible due to budgetary pressures and a need to reduce the value of the contracts.
- b) Retender the contract with a reduced budget and combining previous commissions into a single service. This option, which is being pursued, enables an aligning of approach as well as efficiency savings to be made. KPIs proportionate to the available budget will have to be set.

- c) Bring these services in house. Cost savings would not be achieved and the value of independent private sector organisations delivering a credible service would be lost.
- d) Cease funding the Inward Investment and Visitor Economy services. This option would lead to the end of the inward investment service in Kent & Medway as KCC is the principal funder. Locate in Kent has supported 21 new business investment projects since May 2023 which have created 497 jobs in Kent & Medway. This option would significantly weaken the visitor economy service as KCC is a major principal funder. The Visitor Economy is worth £3.8bn to Kent & Medway each year and the Visit Kent service plays a key role in sustaining and growing this.

4.2 Were KCC not to continue commissioning these two valuable services there would be a significant risk of inward investment projects moving to other parts of the UK. For the visitor economy, withdrawing very effective marketing and promotional activities and support for businesses would have a serious impact on businesses in the sector at a time when the visitor sector is still recovering from the effects of the pandemic, the UK's departure from the EU and the ongoing cost of living crisis.

## **5. The new contract**

5.1 KCC and MC recognise that with reduced overall funding, there is a need to reduce the expected activities, outputs and results from the contract. Given the challenging economic landscape, recent changes to work patterns and company requirements the requirements of the contract for the next two years have been carefully reviewed. The focus will be on the following:

- Securing Inward investment projects from 'new to county' businesses and creating jobs.
- Developing 'grow-on space' investment projects to retain existing businesses and jobs.
- Facilitating regular access to local flexible workspace for London-based company employees living in Kent
- Increasing the number of Kent & Medway residents working remotely in the county in skilled roles for companies located elsewhere
- Supporting the development of priority sectors through attracting businesses to form new clusters/centres of excellence or expand into existing geographical clusters to enhance them.
- Increasing visitor numbers and spend in the county
- Increasing overnight visitor stays in the county
- Supporting and promoting local visitor economy businesses
- Securing new out of county travel trade / tour operator itineraries in Kent & Medway
- Increasing jobs in the visitor economy sector
- Actively promoting year-long tourism and visitor economy opportunities to 'out of county' audiences.

5.2 The new service provider/consortium will be expected to deliver activities that support the implementation of the Kent & Medway Economic Framework as well as working closely with KCC and MC and other key organisations in the county such as Produced in Kent, whose work supports the visitor economy.

- 5.3 The new service provider/consortium will also be required to support any future work to develop wider 'Brand Kent' activity which would bring key organisations, public and private sectors and local residents together to determine and share Kent & Medway's key assets, strengths and specialisms and jointly promote a range of opportunities to showcase the best of what Kent has to offer to external audiences.
- 5.4 It is expected that a successful procurement procedure should be completed to enable the new provider or consortium to commence delivery of the 2024-26 contract from 1 July 2024 to avoid any break in service.

## **6. Financial Implications**

- 6.1 The value of the new contract equates to a £450,000 per annum contribution from KCC and £50,000 from Medway Council for 2024-25. This represents a £250,000 reduction per annum from KCC. Combining two previous commissions into a single contract will result in efficiency savings, as well as, it is envisaged, a closer aligning of approach.

It should be noted that both services currently secure significant additional investment to support their operation including contributions from local businesses (housing developers, passenger carriers, tourism attractions etc.) who contribute on the basis that KCC and MC support the services. It is anticipated that such contributions will be required for the new service provider to operate a service at a meaningful level. Locate in Kent and Visit Kent benefited from large amounts of EU funding to support and enhance their activity but this is no longer available.

- 6.2 While not straightforward to quantify, both services contribute to reducing other KCC / MC / public sector costs in the county. By providing additional high-quality employment opportunities for local residents, the inward investment service makes a positive contribution to the one of the key economic determinants highlighted in the Kent & Medway Integrated Care Strategy that enable healthy lives; stable employment. The Visitor Economy service also directly contributes job creation and retention within the sector which employs some 75,000 people in the county. The Visitor Economy service also works to enhance local leisure time opportunities through the development and promotion of high quality activities for local residents enhancing their quality of life.

## **7. Legal implications**

- 7.1 As normal procurement procedures will be followed, there are no direct legal implications for KCC to consider.

## **8. Equalities implications**

- 8.1 EqlAs for Visitor Economy and Inward Investment Services were updated last year. These will be used to inform the new single commission and its required approach around Equality Duty.

8.2 It is not anticipated that there will be any negative equalities and diversity impacts resulting from the procurement of these contracts. The draft procurement documentation asks potential service providers to consider how services can be delivered in line with Public Sector Equality Duty requirements and to ensure that services benefit all groups including those with protected characteristics. KCC will work closely with the successful supplier to support the design and delivery of services and capture equalities and diversity data wherever possible.

## **9. Other corporate implications**

9.1 The Economy Team within Growth & Communities will be responsible for monitoring the contracts and ensuring that activity delivered contributes to the ambitions set out in the Kent & Medway Economic Framework.

9.2 KCC's procurement, legal and finance teams will support the procurement and contracting process as required.

## **10. Governance**

10.1 Stephanie Holt-Castle, Director of Growth and Communities, will inherit the main delegations via the Officer Scheme of Delegation

## **11. Conclusions**

11.1 Inward Investment activity and support for the visitor economy are invaluable for Kent & Medway to continue to boost the local economy and contribute to a high quality of life for local residents.

11.2 The continuation of KCC and MC financial support for the visitor economy and inward investment services is essential to avoid the county failing to secure inward investment opportunities and attracting significant visitor numbers to the county to ensure that a vibrant community of tourism businesses can survive and grow in future.

## **12.Recommendation(s):**

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### **13. Contact details**

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