

## Executive Decision

From: Director of Economic Development, David Smith

To: Leader and Cabinet Member for Business Strategy, Audit and Transformation

Decision No: 15/00037

Subject: **Approval of Loan and Grant Investment from the Expansion East Kent Fund**

### Key decision

*Funding value is over £1million*

Classification: **Unrestricted with exempt appendices**  
Appendices exempt from publication under paragraph 3 of schedule 12A of the Local Government Act 1972 “Information relating to the financial or business affairs of any particular person (including the authority holding that information).”

**Past Pathway of Paper:** Investment Advisory Board

**Electoral Division:** Sandwich

**Summary:** To seek endorsement of the recommendations of the Expansion East Kent Investment Advisory Board, and formal agreement to release the funds for an approved loan and grant from the ExEK fund. The exempt appendices show the name of the company and include commercially confidential information.

#### **Recommendation(s):**

It is recommended that the Leader agree to implement the recommendation of the Investment Advisory Board and release the funds as a loan and grant to the Company set out in the exempt report, subject to the conditions also contained therein, to the total value of £1,311,000 (£1m as a loan £311,000 as a grant) from the ExEK Fund.

## 1. Introduction

1.1 The Expansion East Kent programme (ExEK) aims to provide financial support to businesses seeking to invest in projects that will support new jobs and growth which will help to develop its private sector base, while counteracting the effects of recent economic shocks in the area. The scheme offers targeted funding to companies where this will secure additional private sector finance and support sustainable job creation.

Geographically, the programme focuses on the districts of Ashford, Canterbury, Dover, Shepway and Thanet.

## **2. Background and Rationale for the Release of Funds**

2.1 The applicant is seeking to secure a loan and grant to the total value of £1,311,000 (£1m as a loan £311,000 as a grant) to create 44 full-time direct jobs in the locality of Discovery Park in Sandwich.

2.2 Company Background:

A highly successful Sydney based company founded in 1983 and employing over 280 staff were looking to locate a facility outside of Australia to set up a Sales & Distribution and Service Centre (phase 1) and manufacturing facilities and a R&D site (phase 2). They had identified their customer distribution consisted of 90% in the Northern Hemisphere and 40% in Europe therefore having operations solely in Australia created a challenge to the organisation. They initially considered setting up in USA either Boston or California but on hearing of the opportunities and benefits associated with the UK they diverted their attention to East Kent and Discovery Park.

The opportunity to set up a Sales & Distribution and Service Centre in Discovery Park formed an attractive and affordable proposition, so financed solely by the Sydney based (parent) company, the UK company was formed. In November 2013 leased accommodation was secured in Discovery Park but in early 2014 the company were made aware of the opportunity to purchase the building and additional land adjacent to the current facility. The overall expansion plan consisted of establishing a manufacturing and R& D provision in the UK and would cost £5million. The company applied to the Expansion East Kent Scheme for a grant (£311,000) and loan (£1m) as a contribution to the project costs. The company demonstrated the huge benefits and impact to the East Kent area not only by creating 40 highly skilled job opportunities but their long term commitment to remain in East Kent by becoming a land owner and to reinvest profits back into R&D activities. This would not only have an indirect impact on other unique technology businesses as suppliers to the company but also act as a catalyst for attracting other similar technology businesses to the area.

The forming of the UK company was part of the group's (3 business units) long term strategy for worldwide delivery to align the market activity for its unique technologies for both the Biocells (stem cell research and development) and Biomedx (IVF Products and technology) businesses. The company are at the forefront of offering patients the best diagnostics tests available and R& D is critical to the long term success of the business. The project presented to the Investment Advisory Board has the potential to produce a turnover of £20m and offer other long term benefits including expansion in specific therapies, creation of a world hub, patent transfers and significant impact to local supply chains.

2.3 The application met the essential and exception criteria for progressing the application under the following headings:

- Inward Investment
- Creation of Jobs
- Priority Sector - Manufacturing
- Research and Development
- Impact on the wider local economy

The application has been subject to an independent appraisal from PWC and the consequent report has been considered by the ExEK Investment Advisory Board at meetings held on 25<sup>th</sup> February 2014 (the Board agreed in-principal to accept a part loan part grant application) and 4<sup>th</sup> June 2014 (funding decision confirmed), in line with the governance of the ExEK Fund as agreed by the Department for Business, Innovation and Skills.

### **3. Decision Making Process**

- 3.1 An interest was declared by a Board member at 4<sup>th</sup> June meeting (Miranda Chapman's company – Pillory Barn - had been contracted to manage a publicity launch for the company). Miranda Chapman's interest was considered and deemed not to be significant therefore all members (including Miranda Chapman) took part in a discussion of the merits of the proposal, the independent appraisal report and the presentation from the company seeking the funding. There was an opportunity for questions to be put to the company after the presentation on the 4<sup>th</sup> June 2014. The Leader was present at both meeting and in the Chair at both meetings.
- 3.2 The Board recommended that the loan and grant be approved on the 4<sup>th</sup> June 2014, subject to the conditions set out in section 6.1.
- 3.3 Owing to the level of further due diligence required in order to meet the conditions set out in 6.1 and the need to complete the legal undertakings KCC are only now in the position to release funds.
- 3.4 Although the decision involves a loan and grant for total value of £1,311,000 (£1m as a loan £311,000 as a grant), if agreed, there is no financial impact for Kent County Council as the ExEK Fund monies were allocated as the result of a successful bid to the Regional Growth Fund and ring-fenced for the ExEK programme only.
- 3.5 Furthermore the part of the award is in the form of a loan and these monies will be recovered from the applicant as set out in the terms and conditions of the loan and protected by a charge on the applicant's property.

### **4. Policy Framework**

- 4.1 ExEK helps to secure two of the main policy aims of the Council by tackling disadvantage and helping the Kent economy to grow.

### **5. Governance**

- 5.1 This funding application has been considered by the ExEK Investment Advisory Board in line with the ExEK fund governance requirements approved by the Department for Business, Innovation and Skills and agreed by Cabinet member decision. The Investment Advisory Board has recommended that the loan and grant be awarded. Relevant documentation is attached; it is exempt from publication in accordance with Paragraph 3 of Part 1 Schedule 12a of the Local Government Act 1972.
- 5.2 All members have been given the opportunity to comment on the proposed decision before it was taken by the Leader. *Any comments received will be given*

*due regard by the Leader when taking the decision and will be published as part of the Record of Decision or accompanying documentation.*

5.3 The Executive Scheme of Delegation for Officers set out in Appendix 2 Part 4 of the Constitution (and the directorate schemes of sub-delegation made thereunder) provides the governance pathway for the implementation of this decision by officers. In this instance, Director of Economic Development (on behalf of the Corporate Director of Growth, Environment and Transport) will be the lead officer seeking to ensure that all such steps as are necessary to implement the decision are taken.

## **6. IAB Recommendations**

6.1 The ExEK Investment Advisory Board has recommended that the proposal be fully funded, with the following conditions:

- First charge on the property.
- Parent company guarantee.
- Repayment period reduced to 5 years.
- Ensure that the loan falls within the State Aid threshold.

6.2 The loan and grant is considered to meet the criteria for approval and as such will support sustainable job creation, primarily in Dover, but also in other parts of East Kent.

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

**The Leader is asked to:** have regard to the information contained within the exempt report and then agree to implement the recommendation of the ExEK Investment Advisory Board and provide a loan and grant to the Company set out in the exempt report, subject to the conditions also contained therein, of a total value of £1,311,000 (£1m as a loan £311,000 as a grant) from the ExEK Fund.

### **Governance:**

The Executive Scheme of Delegation for Officers set out in Appendix 2 Part 4 of the Constitution (and the directorate schemes of sub-delegation made thereunder) provides the governance pathway for the implementation of this decision by officers. In this instance, the Director of Economic Development (on behalf of the Corporate Director for Growth, Environment and Transport) will take all such steps as are necessary to implement the decision.

## **8. Background Documents and appendices**

## 8.1 Exempt Appendices

- Appendix 1 - A copy of presentation by the applicant
- Appendix 2 - A copy of the appraisal report by independent appraisers Pricewaterhouse Cooper (PwC)
- Appendix 3 - Risk identification and action table

## Background documents

- A copy of Full Application Form
- Copies of the minutes of the Expansion East Kent Investment Advisory Board Meeting

## 9. Contact details

Lead officer:  
Jacqui Ward  
RGF Programme Manager  
[Jacqui.Ward@kent.gov.uk](mailto:Jacqui.Ward@kent.gov.uk)  
01622 694437

Lead Director:  
David Smith  
Director Economic Development  
Tel: 01622 221856  
[David.Smith@kent.gov.uk](mailto:David.Smith@kent.gov.uk)