

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

To: Growth, Economic Development and Communities Cabinet Committee - 1 December 2015

Subject: Inward Investment Services procurement

Key decision: Exceeds financial criteria (contract value of over £1m)  
Affects more than two Electoral Divisions

Classification: Unrestricted

Past Pathway of Paper: Procurement Board, 21 October 2015

Future Pathway of Paper: For decision by Cabinet Member

Electoral Division: Countywide

**Summary:**

Kent County Council is seeking to procure inward investment services for the period April 2016 to March 2019. This will replace the existing inward investment services contract with Locate in Kent, which commenced in April 2014 and runs for 24 months to March 2016, with an optional extension of one year.

This report explains the process that has been followed, and provides an outline of the requirements that the County Council has asked prospective bidders to meet when submitting their proposals.

**Recommendation(s):**

The Growth, Economic Development and Communities Cabinet Committee is asked to consider and endorse, or make recommendations to the Cabinet Member for Economic Development to enter into a contract with the successful bidder once the selection process is completed as outlined in Appendix B.

**1. Introduction**

- 1.1 The County Council has an existing inward investment services contract with Locate in Kent, which was awarded in March 2014 following an OJEU compliant process, and commenced in April 2014. This contract supports the attraction of inward investment into Kent across all economic sectors. The current contract is for 24 months, which expires in March 2016, and has an optional extension of one year. Currently, the value of the contract with Locate in Kent is £625,000 per annum.
- 1.2 There is now an opportunity to review, refresh and 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 by central government and the County Council on targeting and investing in

those priority sectors with the greatest growth potential. These include life sciences, advanced manufacturing and engineering, environmental technologies, ICT and digital/creative.

- 1.3 The procurement also includes coverage of the Medway Council area. This followed an approach to the County Council by Medway Council's Cabinet Member for Economic Development in early November, to ask if the coverage of the proposed inward investment services contract could be extended to include the Medway area as well as Kent. Medway Council will make a corresponding cash contribution to the project.

## **2. What the proposal is about**

- 2.1 The proposal involves the procurement of an inward investment service for Kent and Medway over a three year period from April 2016 to March 2019. The total value of the proposed contract is £3.325m, and would be funded by the County Council (£1.452m), Medway Council (£0.210m) and the European Regional Development Fund (£1.662m), the latter being dependent on the outcome of a current funding application to the Department for Communities and Local Government (DCLG).
- 2.2 The successful contractor will be expected to play a key partnership role in driving and supporting economic development in Kent and Medway, and will work closely with key stakeholders in the county and internationally, including the central government agency UK Trade and Investment (UKTI).
- 2.3 The tender proposal can be viewed on the County Council's procurement portal, and will include the following delivery priorities:
  - Securing external investment into Kent and Medway that will create quality jobs;
  - Building and converting a pipeline of prospective investment projects in target sectors;
  - Promoting Kent and Medway to overseas target markets and high value sectors identified in the Kent and Medway Growth Strategy, South East Strategic Economic Plan, and the South East European Structural and Investment Fund (ESIF) Programme; and
  - Attracting potential investors and providing key information to assist their decision making.

## **3. Procurement approach**

- 3.1 The tender will be advertised via the OJEU Open Procedure. This will be preceded by some initial market engagement to gauge the level of potential interest from suppliers. Also, because respondents would need to undertake a lot of work to prepare their tender submissions, they will be required to meet some initial prequalification requirements in order to establish capability and capacity.
- 3.2 Outline timescales for the proposed procurement are:
  - Consideration by Procurement Board: Approval given in October 2015

- Advert: November 2015
- Market engagement: November 2015
- Expression of interest period: November and December 2015
- Prequalification period: January 2016
- Prequalification evaluation: January and February 2016
- Tender period: March 2016
- Tender evaluation and award: March and April 2016

#### **4. Options considered**

- 4.1 Several options were considered at an early stage in the commissioning process. Two options involved the possibility of an extended Single Supplier agreement with the current supplier: one option starting in April 2016, at the end of two years into the current contract, and running for three years; and a second option starting in April 2017, after a one year extension of the existing contract, and running for two years. However, both options would be open to challenge of unfair competition from other potential providers of inward investment services, and on procurement grounds from Government and the European Commission. A third option, to undertake a re-procurement of services from April 2016, carries with it a significant risk to the existing supplier, which might not be successful in securing the new contract. However, it does provide the opportunity both to review and improve how inward investment is attracted to the County and to secure additional funding from external sources. This is the preferred option.

#### **5. Risks**

- 5.1 The main risks to the procurement process are:
- There could be a limited market for a competitive procurement process. It is difficult to assess whether there might be other potential local providers able to deliver this service, because the nature of the contract is specific to Kent and Medway. Although the OJEU process will potentially provide a wide coverage, further consideration would be given to further publicity if initial interest is low.
  - The project is not considered by DCLG to be State Aid compliant. To mitigate this, we have undertaken a full legal assessment which concludes that although the proposed range of services is State Aid, these will be delivered under *de minimis* rules so that the value of support provided to individual businesses will not exceed the permitted threshold.
  - There is a risk that ERDF funding through DCLG may not be approved. If this happens, the procurement process will continue as planned and the contract awarded with financial contributions from Kent County Council and Medway Council only.

#### **6. Other implications**

- 6.1 Financial implications: The inward investment services contract value is £3.325m over the three year period between April 2016 and March 2019. This

will be funded by KCC (£1.452m), Medway Council (£0.210m) and European Regional Development Fund (£1.662m).

- 6.2 Legal implications: The contract with the successful supplier will be drawn up by KCC Legal Services. Otherwise, there are no legal implications.
- 6.3 Equalities implications: Equalities requirements will be included as part of the tender specifications and contract, when awarded.

## **7. Fit with strategic and local objectives**

- 7.1 The proposed decision is consistent with the Vision set out in the County Council's Strategic Statement for 2015-20 ("Our focus is on improving lives by ensuring that every pound spent in Kent is delivering better outcomes for Kent's residents, communities and businesses"), and with the economic and business growth Strategic Outcome and Supporting Outcomes.
- 7.2 One of the main outcomes of the Growth, Environment and Transport Directorate is to ensure that "Our economy is vibrant and everyone benefits from growth". The proposed decision aims to deliver that 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.
- 7.3 In 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 Government agencies to bring new investment into the area. In 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 Government and UKTI to match that support for inward investment where it is focused around sectors in which Kent has particular strengths.

## **8. Next Steps**

- 8.1 The procurement process is currently continuing, with the expectation that it will be completed and the successful contractor notified early in the New Year.
- 8.2 In accordance with the Key Decision process, after 15 December 2015 the Cabinet Member will have the authority to take the decision to award the contract to the successful applicant. However, as paragraph 3.2 above makes clear, the tender process will continue until March/April 2016, when the actual award will be made.

## **9. Recommendation:**

- 9.1 The Growth, Economic Development and Communities Cabinet Committee is asked to consider and endorse, or make recommendations to the Cabinet Member for Economic Development to enter into a contract with the successful bidder once the selection process is completed as outlined in Appendix B.

## 10. Background Documents

10.1 Inward Investment Services Procurement Plan (Appendix A).

10.2 Inward Investment Services Record of Decision (Appendix B).

## 11. Contact details

Report Author: David Hughes Head of Business Engagement and Economic Development 0791 763 9120 dave.hughes@kent.gov.uk	Relevant Director: David Smith Director of Economic Development 03000 417176 david.smith2@kent.gov.uk
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