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To: Growth, Economic Development and Communities Cabinet Committee – 17 May 2016

Subject: Locate in Kent Contract Performance Review

Classification: Unrestricted

Past Pathway of Paper: None

Future Pathway of Paper: For consideration by Cabinet Committee

Electoral Division: Countywide

Summary: The inward investment services contract with Locate in Kent (LIK) was awarded by the County Council in March 2014 following an OJEU compliant process, and commenced in April 2014. The two year contract supported inward investment activity into Kent across all economic sectors, and ended in March 2016. The annual spend on this contract was £625,000 per annum, funded by the County Council.

The contract contained 7 Key Performance Indicators (KPIs) with agreed targets. With one exception (KPI 04 – Job outcomes in high growth sectors), Locate in Kent exceeded those targets over the two year period.

The report describes other activities undertaken by Locate in Kent over the same period, including the BioGateway initiative, marketing activities and development of its property database.

The report provides an update on the recent inward investment procurement.

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

1. Introduction

- 1.1 This report provides a review of the performance of the inward investment services contract with Locate in Kent for the period April 2014 to March 2016. It also provides an update on the procurement of a new inward investment services contract.
- 1.2 At the meeting of this Committee on 12 January 2016, Members asked for a review of performance of the contract with Locate in Kent.

2. Main features of contract with Locate in Kent

- 2.1 The contract contains 7 Key Performance Indicators (KPIs) with agreed targets:
- KPI 01 – 4,800 job outcomes (jobs created and safeguarded, and an estimate of indirect jobs based on a multiplier) over the two year period.
 - KPI 02 – 75% of job outcomes are in the target locations of East Kent and the Thames Gateway (excluding Medway).
 - KPI 03 – 50% of job outcomes are in professional or managerial positions, and in knowledge-based industries.
 - KPI 04 – 75% of job outcomes are in high growth sectors as identified in Unlocking Kent's Potential.
 - KPI 05 – 100% of investment successes are visited 12 months after completion to check progress and job creation.
 - KPI 06 – Assessment of website traffic in terms of numbers of visits and enquiries from potential investor businesses.
 - KPI 07 – Achieve other sources of funding of at least 50% of KCC's financial contribution.
- 2.2 The KPIs were reviewed on a monthly basis, along with a range of other information used to underpin the inward investment service provided by Locate in Kent. This includes regular service level updates about its investment enquiries pipeline, property database, participation in promotion and marketing events, numbers of businesses visited as part of Locate in Kent's 'aftercare' activities, and development of life sciences and low carbon sector based initiatives.

3. KPI and service level performance over the period 2014-16

- 3.1 A summary of Locate in Kent's performance over the two year period is provided below:

Key Performance Indicator	Target	Actual
KPI 01 – Job outcomes (new, safeguarded and indirect jobs)	4,800	5,725
KPI 02 – % of jobs in East Kent and Thames Gateway	75	80
KPI 03 – % of jobs in professional, managerial or knowledge based	50	53
KPI 04 - % of jobs in high growth sectors	75	63
KPI 05 - % of successes visited 12 months after completion	100	100
KPI 06 – Website statistics		
Visits per month	2,630	2,514
% are new visitors	70	73
Property registrations per month	78	93
KPI 07 – Securing other funding	£0.625m	£0.678m

- 3.2** At the end of March 2016, Locate in Kent were engaged in 300 'active' projects (ie those with which LIK has direct contact with, and which are at some stage in the process of deciding whether to invest in Kent). 196 of these were UK based and 104 were potential foreign direct investment (FDI) projects.
- 3.3** The number of active projects has remained fairly constant at 300 over the two year period, although the number of FDI projects has increased since 2014. This means that although just over 400 new projects were added to the pipeline since 2014, about the same number were removed either as investment successes or as 'dead' projects.
- 3.4** At the end of March 2016, about 50% of the FDI projects in the pipeline were from the United States, and 33% were from France.
- 3.5** The top two sectors in the pipeline are life sciences and manufacturing, although there are relatively large numbers of active projects in retail and warehousing, construction and development, and information technology.
- 3.6** 41% of project successes over the two year period were expansions within Kent, 26% were relocations within Kent and 16% were expansions into Kent. The remainder (17%) included new start-ups, relocations into Kent and retentions (where businesses have decided to stay in the county).
- 3.7** Manufacturing contributed around 25% of those successes, as did sales and administration. A large proportion of the remainder was in distribution, where over 1,600 jobs were created in 2014-15 by four retail distribution centres.
- 3.8** Most project successes (nearly 40%) were based in East Kent, and the remainder was spread fairly evenly across Thames Gateway, Mid Kent (Maidstone and Ashford) and West Kent.
- 3.9** The number of Kent based businesses targeted by Locate in Kent as part of its aftercare service increased from 173 in 2014-15 to over 200 in 2015-16. This service helps to ensure that companies continue to receive support from Locate in Kent. It has proved especially helpful in identifying and helping to resolve issues faced by businesses customers, for example in accessing finance and training programmes through local providers.

4. BioGateway Kent

- 4.1** In 2014, Locate in Kent and the County Council commissioned a report on the life sciences sector in Kent. The report was intended to obtain a better understanding of the sector, and to make recommendations for how it could be assisted to grow in Kent. As well as showing that Kent already had a significant cluster of some 130 life science businesses employing some 6,500 people, the report showed that businesses would value more interaction with others in the sector, in particular as a self-supporting cluster or network of businesses.

- 4.2** As a result, BioGateway Kent was established by Locate in Kent as a not-for-profit organisation in 2015, and now has 113 subscribing members comprising life science businesses, science service providers and non-profit organisations including academic institutes. Many of its members are located at Discovery Park and Kent Science Park in Sittingbourne, as well as other parts of the county including the Medway Towns.
- 4.3** Supported by Locate in Kent, Bio Gateway Kent has plans to expand its Kent membership and to establish closer relationships with other UK based networks and with other established groups in other parts of Europe. Recently, the County Council was successful in securing Interreg funding for the Boost4Health project, which will provide additional resources over the next three years to enable BioGateway Kent and its members to work more productively with other life science networks across Europe.

5. Marketing activities

- 5.1** Over the past two years, Locate in Kent's website has attracted more than 48,000 unique visitors, and has been directly responsible for 115 new projects in its pipeline, of which 28 have so far been project successes. This represents 29% of all new projects registered over the contract period, and 31% of successful projects, and illustrates how important web-originating projects are to Locate in Kent's performance.

6. Property database

- 6.1** Locate in Kent's property supply statistics are derived from its Property Database, which contains information provided by over 130 national and Kent based property agents. The information is regularly updated.
- 6.2** The number of properties on the database decreased from 1157 in March 2015 to 969 in March 2016, a reduction of some 16% and representing over one million square feet of industrial and office floorspace. Although this is partly due to an upturn in demand as more properties are being let and sold, there are also fewer properties coming onto the market. In 2015-16, for example, the number of properties added to the database reduced by 20% compared with the previous year.
- 6.3** As we reported to this Committee in January, where businesses experience difficulties in finding premises either to expand or relocate to, there is evidence that this has led to some having to reconsider relocation to other parts of the region, including outside the United Kingdom.

7. The new contract

- 7.1** As we reported to the January meeting of this Committee, in December 2015 the County Council published a contract notice on the Kent Business Portal under the OJEU Open procedure, inviting tenders for inward investment services for Kent and Medway. The price for the service was set at the funding available, which is £1,108,443 plus VAT per annum for the next three

years, and comprises financial contributions from KCC (£511,464 per annum), Medway Council (£70,000 per annum) and the European Structural Investment Framework (£526,979 per annum) which is administered by the Department for Communities and Local Government. All of the funding has now been confirmed.

7.2 The deadline for tenders to be returned via the Kent Business Portal was 29 January 2016. From 12 expressions of interest, one supplier – Locate in Kent – submitted a full response, which was then evaluated by the commissioning clients (KCC and Medway Council) against the mandatory requirements set out in the tender specification, and subsequently against the award criteria which were weighted on quality of service.

7.3 The evaluation and clarification process is now complete and, in accordance with the Delegated Authorities Matrix, Approval to Award the contract to Locate in Kent has been given by the Director of Economic Development. The contract will begin on 1 May 2016.

8. Financial implications

8.1 The value of the County Council's contract with Locate in Kent for the period April 2014 to March 2016 was £625,000 per annum.

8.2 The value of the County Council's new inward investment services contract with Locate in Kent for the period May 2016 to April 2019 will be £1,108,443 per annum.

9. Legal implications

9.1 There are no legal implications arising from this report.

10. Equalities implications

10.1 There are no equalities implications arising from this report.

11. Recommendation

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

Background Documents - None

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