

Appendix 2 Sector Support Fund (SSF) Application Template

1. Project Title	
Kent Medical Campus Enterprise Zone - Innovation Centre design work	
2. Project Location	
Kent Medical Campus, Newnham Court Way, Weaving, Maidstone, Kent, ME14 5FT	
3. Lead point of contact for Project	
Name	Abi Lewis
Organisation	Maidstone Borough Council
Job Title	Economic Development Officer
Telephone	01622 602344
Email	abilewis@maidstone.gov.uk
4. Lead contact in County Council/ Unitary Authority (if different from above)	
Name	Sarah Nurden
Organisation	Kent County Council
Job Title	Strategic Programme Manager for the Kent & Medway Economic Partnership (KMEP)
Telephone	03000 4165518
Email	Sarah.nurden@kent.gov.uk
5. Description of Project (No more than 300 words)	
<p>Maidstone Borough Council is requesting £156,000 Sector Support Fund grant to contribute towards covering the cost of anticipated total design stage costs of £260,000 for the development of an Innovation Centre on Kent Medical Campus Enterprise Zone.</p> <p>The 2,787sqm (30,000 sqft.) Innovation Centre will offer SMEs focused on life science, healthcare and med-tech activities access to a combination of high-grade office accommodation and business support providing a nurturing environment for start-ups and growing businesses. In doing so the project seeks to address a significant under provision by the private sector in the SELEP area. The centre will also provide conferencing and meeting space to assist in the formation of a “research hotel” where businesses, academics and medical professionals can collaborate to enable new ideas to be developed and introduce new products to the market.</p> <p>The Innovation Centre will contribute to delivering the objectives of the Kent & Medway Growth Deal and the existing SELEP Strategic Economic Plan, accelerating the delivery of new employment space and providing support for the emerging life sciences sector. Indeed, this application has been endorsed by the KMEP Board (July 2018). It also responds to the UK’s Industrial Strategy which emphasises the need to invest in science, research and innovation to ensure the UK become a more innovative economy.</p> <p>The Council has applied for European Regional Development Fund grant to help finance the construction of the facility in tandem with the provision of an extensive business support programme across the SELEP area; however, the design element of the project cannot be</p>	

funded through this means and MBC is therefore anticipated to incur these initial costs. The grant secured from the Sector Support Fund will be used to develop the design of the innovation centre so as to enable a construction start date of Spring 2019.

6. Project links to SELEP Strategic Economic Plan

As cited in the SELEP Strategic Economic Plan, the UK is a world leader in life sciences and this sector features in the government’s Industrial Strategy White Paper, identifying the ageing population and the growing potential for the use of data as two of the “grand challenges” that will underpin the UK’s future industrial policy. In this context, the White Paper sets out a commitment to a ‘life sciences sector deal’.

SELEP’s Strategic Economic Plan (SEP) notes the importance of this sector, highlighting Kent Medical Campus as a potential centre for the medical technologies industry (p.24). The Innovation Centre project will contribute to this objective by delivering additional incubator space and by providing advice, mentoring and coaching support to promote business creation, survival and growth in the life science sector across the SELEP area.

Closely aligned with the SEP, this project also specifically responds to the SELEP’s European Structural Investment Fund Local Priority within the Call for projects to support the Life Sciences and Medical Technology sector. Life sciences and medical technology are a clear specialisation within the SELEP economy. In this context, the ESIF Strategy states that additional “*innovation centres are needed in the SELEP area to strengthen innovation locally*” (p.31), specifically highlighting Kent Medical Campus as a priority location for growth in the sector, as well as the need for LEP-wide sector-focused support for innovation (p.8). However, because of high capital costs and uncertain short-term returns, the market is unwilling to invest in innovation facilities without intervention.

The Innovation Centre will contribute to key objectives of the SELEP and the Kent and Medway Growth Deal especially at M20 Junction 7, which includes the Maidstone Medical Campus. The Innovation Centre will also assist in delivering against the Partner Priority Sectors within the Kent and Medway Growth Deal- Life Sciences. The SELEP also draws upon evidence that supports the development of the Innovation Centre confirming this particular sector has high growth potential.

7. Total value (£s) of SSF sought (net of VAT)

£156,000

8. Total value (£s) of project (net of VAT)

£260,000 design commission costs (this excludes specialist surveys needed to satisfy the requirements of planning application e.g. Arboricultural, ecological, archaeological surveys).

£11,326,037 cost for the purchase of land and construction of Innovation Centre

£1,584,916 – revenue costs in the first 4 years of the project

9. Total value (£) of match funding (net of VAT)				
£104,000				
10. Funding breakdown (£s)				
Source	2017/18	2018/19	2019/20	Total
Sector Support Fund		£93,600	£62,400	
Other sources of funding				
Maidstone Borough Council		£62,400	£41,600	
11. Details of match funding				
<p>£104,000 match funding (40%) from Maidstone Borough Council is available for this project and a letter from the authority's Director of Finance & Business Improvement and Section 151 officer confirming this is appended to this application.</p>				
12. Expected project start and completion dates				
<p>Professional services contracts and appointments will be made in September/ October 2018.</p> <p>The work associated with this grant will be completed by September 2019.</p> <p>Construction will commence April/May 2019.</p>				
13. Key Milestones				
Key Milestones	Description	Indicative Date		
1. Appointment of consultant team	This will include the architect, Employer's Agent, cost consultant and landscape architect, fire assessor, planning consultant, acoustic engineer, M&E etc.	September 2018		
2. Initial designs completed	Drawings to RIBA stage 2	October 2018		
3. Planning Application submission	Submitted to MBC Planning Committee for Decision	October 2018		
4. Planning Permission granted		December 2018		
5. Tender and procurement for construction contract	Full OJEU compliant restricted ITT process	October 2018 – March 2019		
6. Construction start		April/May 2019		
7. Facility Open		Spring 2021		

14. Benefits created (list benefits with number/amount and cash value if applicable)		
Type of Benefit	Number of benefits created	Cash value of benefit (£)
Business support (based on 12 hours per business @ £45 per hour)	185 businesses receive advice over the first 3 years (60 per annum	
Business rates income This benefit will generate income from all relevant rate relief which is retained by the local authority and invested back into the Kent Medical Campus	1879m ² @£200 per m ²	£375,800 pa (this could be multiplied over 21 years as the period of Enterprise Status)
Job outputs Based on Cumulative £22,873 GVA Research by Oxford Innovation for the Kent Medical Campus Innovation Centre	351 FTE	£ 8,028,423 over 10 years
Creation of office accommodation Based on 1610 m ² of lettable space at 90% occupancy over 10 years	1610 m ² over 10 years	£1,331,936 letting income
15. Value for Money – Benefit/Cost Ratio		
<p>Project benefits are calculated on the basis of the delivery of the full Kent Medical Campus Innovation Centre project with enabling grant from the Sector Support Fund.</p> <ol style="list-style-type: none"> 1. Business rates - £375,800 pa (£3,758,000 over 10 years) 2. Job outputs - £ 8,028,423 (over 10 years) 3. Business space - £1,331,936 (over 10 years) <p>Total value of benefits £9,736,159</p>		
16. Value for Money – Other Considerations		
Other VfM /benefits		
<u>Business support</u>		
<ul style="list-style-type: none"> • Based on 12 hours per business a target of 185 businesses will receive advice over the first 3 years, estimated at 60 per annum. 		
<u>Business incubation space</u>		
Tenants in the business incubator will benefit from a wide range of facilities including;		

- Utilities
- Office equipment/computer services
- Training
- Conference rooms
- Laboratories
- Receptionist services

Business Concept development support

- Turn ideas into high-value business concepts
- Refine ideas to exploit market opportunities
- Focus on details to improve the whole
- Help gain investor support

Business Networks

- High quality pre-qualified referrals/leads from networking events.
- Meeting motivated like-minded same sector group of business owners
- Potential to create joint ventures, client leads, possible partnerships, innovation, sales
- A source of relevant connections with highly influential people
- Advice source from similar business people
- Builds a reputation as a knowledgeable contact with expertise in the sector
- Problems or issues within the sector can be shared and solved

17. Dependencies and Risks

Scheme Dependencies

The adopted Investment Strategy for Kent Medical Campus identified the construction of an innovation centre on the site as the first project for the reinvestment of business rates retained from the Enterprise Zone. The Council therefore, subject to the outcome of the ERDF bid and final Member approval, is committed to delivering the project.

Risks

Were the project not to receive any ESIF funding, this project is unlikely to proceed in the form anticipated. It would not be possible to reduce the cost of the Innovation Centre to a level that would be affordable within the match funding contribution that is currently available without fundamentally compromising its viability, given that the size and configuration of the Centre has been drawn up based on experience of optimal innovation centre size. It may be possible to develop a small amount of managed workspace at Kent Medical Campus within existing funding, but this would not deliver the objectives of the project and the long-term financial sustainability is unclear. However, feedback from the SELEP ESIF Committee and MHCLG has indicated that this project is viewed as fitting the criteria of the Call for projects.

Construction Costs - Build cost may be higher than anticipated following receipt of tenders for



the construction of the building, but this will be mitigated through the design stage with an Employer's Agent and cost consultant working with the design commission team. This will ensure the design process is checked against costs at key stages.

18. State Aid Implications

A full State Aid assessment has been completed to satisfy the requirements of the European Regional Development Fund application process, available upon request.

The Council commits to comply with the EU procurement rules when letting contracts to deliver the project (and must do so in any event as a contracting authority). Where a contractor is selected using one of the competitive procedures in these procurement rules, the State aid rules will not be breached because:

- there has been an open and transparent tender process removing any selectivity i.e. the market will have been given the opportunity to bid; and
- the tender process will establish market rates for the services being provided.

A contractor in these circumstances will therefore not be a recipient of aid as it will be providing services for value, tested through a competitive process, and to the extent that any aid element is involved, it would not distort competition as the benefit is openly competed.

Although a local authority, the Council can be classified as an "undertaking" for State aid purposes if it offers goods or services on a market. It is likely that the development of an innovation centre would result in the Council being classified this way. Although there are grounds to argue that the Council is not an undertaking because it is performing a statutory function in promoting economic development, under both Article 27 – aid for innovation clusters - in The General Block Exemption Regulation (GBER) and referring to the German incubator decisionⁱ, it is our view that the project will comply with State Aid rules.

19. Contracting Body

It has been agreed in principle that SELEP would contract directly with Maidstone Borough Council on this project, rather than the North Kent Enterprise Zone Accountable Body. The contact within the organisation is:

Name: Ellie Dunnet
Position: Head of Finance
Organisation: Maidstone Borough Council
Email: elliedunnet@maidstone.gov.uk
Telephone: 01622 602469

20. Declaration

Declaration	I certify that the information provided in this application is complete and correct
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Signature (Lead applicant)	
Print Name	Abi Lewis
Organisation	Maidstone Borough Council
Date	10/08/2018

ⁱ Commission Decision of 3 May 2005 (2005 / 782 / EC).

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