

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

To: Growth, Economic Development and Communities Cabinet Committee – 15 November 2018

Subject: Regional Growth Fund (RGF) Programmes Monitoring Report

Classification: Unrestricted

Summary: This report summarises the results of KCC's monitoring returns from companies which have received loans from the three Regional Growth Fund programmes for the period 1 April 2018 to 30 June 2018.

- Escalate (West Kent and parts of East Sussex)
- Expansion East Kent (East Kent and Ashford)
- Tiger (North Kent and Thurrock)

Jobs created has increased by 131 to 2,840 since the last report on 9 May 2018 and the safeguarded figure has increased by 3 to 1,352.

Out of the 152 companies being reported on during this period, 107 (70%) are rated as Green or Amber.

To date, £19,549,616 of loans has been repaid and these funds are being recycled under the new scheme 'Kent and Medway Business Fund'.

£4,570,331 (8.1% of defrayed funds) is the total amount of unrecovered defrayed funds broken down as follows:

- £1,699,354 is non-recoverable.
- £1,616,018 has been recovered.
- £2,870,977 is still being pursued.

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

1. Background Information

1.1 Since November 2011 the Department for Business, Energy and Industrial Strategy (BEIS) has allocated £55 million to KCC for three schemes:-

- Expansion East Kent (£35 million)
- Tiger (£14.5 million)
- Escalate (£5.5 million)

1.2 These schemes provided grants, loans and equity investments for companies with investment plans that would lead to job creation. For the majority of the companies the loan finance is provided at 0% interest, with a repayment period

of between 5 and 7 years. The schemes have also allocated grants and equity investments, but the equity investments are outside the scope of this report.

- 1.3 This report provides an update on the allocation of funds to companies in the format previously agreed by this Cabinet Committee.

2. Update on all RGF Schemes

- 2.1 At the close of the programme on 30 September 2017, KCC had committed £56.3 million (£55m plus accrued interest) across the three RGF schemes since April 2012. The companies who received this funding have agreements to create 4,082 jobs and will leverage in over £88 million from private sector investment.
- 2.2 This report covers the monitoring period 1 April 2018 to 30 June 2018. All companies are required to complete a monitoring return as part of the loan agreement and must include employment contracts and copies of payroll as evidence for jobs created and safeguarded. The cumulative total of jobs that have been created or safeguarded is 4,192 as of 30 June 2018 against a target to the end of June 2018 of 5,221.

Job Status	Target to Date	Actuals to Date	Percentage against target
Jobs Created	3,730	2,840	76% (Green)
Jobs Safeguarded	1,491	1,352	91% (Green)
Total	5,221	4,192	80% (Green)

- 2.3 Additionally, within this monitoring period (April-June 2018), six loans to the total value of £250,706 have been reported as bad debt.

3. Detailed Cumulative Summary of Monitoring

- 3.1 As part of the loan agreement, each company is contracted to provide quarterly monitoring returns. These returns are in arrears of the previous quarter, and upon receipt and internal validation, one of the following RAG ratings is applied:-
- Green Risk Status: full return received and no outstanding issues.
 - Amber Risk Status: partial return received and/or issues re contracted milestones.
 - Red Risk Status:
 - Category A – Bad debt
 - Category B - Non-return received
 - Category C - Non-achievement of key milestones, including loan repayment, job outcomes and/or delay to planned objectives.

3.2 The following table provides a headline summary of actual performance against contractual target for all three RGF programmes for the period of April 2018 to June 2018. Out of the 152 companies being reported on during the monitoring period, 107 (70%) returns have been flagged as Green or Amber. This equates to a monetary loan value of £27,030,070. There are 45 companies monitored during the period that were identified as Red risk in categories B and C

No of companies who received funds	No of companies reporting on	No of companies in Green Risk Status	No of companies in Amber Risk Status	No of companies in Red Risk (categories B and C) Status
242	152	85 (56%)	22 (14%)	45 (30%)
Loan Values				
£56,383,859	£35,465,602	£16,823,636	£10,206,434	£8,435,532

4. Details of Red Risk Status

4.1 The table below provides details of all companies that have been rated as Red risk status between April and June 2018. In addition to the 45 detailed in the table above, there are also six companies who were identified as bad debt (Red risk category A) within this quarter. The red risk status falls into three categories as follows:-

Breakdown of Red Risk Status	Category A Non-Payment of Debt	Category B Nil Return of Monitoring Form	Category C Significant Shortfall on Milestones / Targets
No of Companies	6*	4 (3%)	41 (27%)
Combined Loan Value	£250,706	£511,875	£7,923,657
Actions to be taken	Companies in Administration	Follow up emails and site visits	Companies under review or variations of contract offered

* Bad debt companies not included in number of Red Rag rated companies in 3.2

4.2 The table below provides details of all Bad Debts and loan defaults (i.e. companies within category A), including those reported in previous quarters:-

Cumulative Bad Debts	No of Companies	Percentage of Number of Companies Supported	Total Loan Value	Loan Recovered

Bad debt previously reported	38	15.7%	£5,935,643	£1,572,132	Total unrecovered bad debt £4,570,331
Current Quarter Bad Debt (those reported April– June 2018)	6	2.5%	£250,706	£43,886	
Total Bad Debt	44	18.2%	£6,186,349	£1,616,018	Represents % of Overall Defrayed Funds: 8.1%*
Bad debt companies where full recovery achieved	-2	0.8%	£950,000	£950,000	

* Based on unrecovered bad debt

4.3 KCC Internal Audit and Kent Invicta Law are advised if any of the companies have gone into liquidation or are in the process of going into administration. They are working with the RGF Strategic Programme Manager to recover the maximum amount of loan value.

5. Profile for Repayment of Funds

5.1 There are two loan repayment periods within each financial year i.e. September and March. The cumulative estimated amount to be received by March 2018 was £20,490,520. The actual amount receipted to date is £19,549,616, which represents an achievement of 95%. The table below provides details of the repayment profile:

2013/14 Target and Actual	2014/15 Target and Actual	2015/16 Target and Actual	2016/17 Target and Actual	2017/18 Target and Actual
Target= £338,548 Actual = £338,548	Target = £1,445,707 Actual = £1,445,711	Target= £5,030,880 Actual= £5,017,526	Target= £6,985,158 Actual= £6,486,853	Target=£6,690,227 Actual=£6,260,978
TOTALS TO DATE				
Target = £20,490,520				
Actual = £19,549,616				
95%				
2018/19 Target	2019/20 Target	2020/21 Target	Total Repayment due by 2021	
£7,003,547	£5,304,793	£3,393,216	£36,192,076	

6. Delivery of Schemes

6.1 Annex 1 provides full details on the monitoring returns of the **Expansion East Kent programme**.

6.2 Annex 2 provides full details on the monitoring returns of the **Tiger programme**.

6.3 Annex 3 provides full details on the monitoring returns of the **Escalate programme**.

7. Recommendation

Recommendation:

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

8. Contact details

Report Author:-

- Jacqui Ward
- Strategic Programme Manager (Business Investment)
- Tel: 03000 417191
- jacqui.ward@kent.gov.uk

Relevant Director:-

- David Smith
- Director of Economic Development
- Tel: 03000 417176
- David.smith2@kent.gov.uk

Expansion East Kent Programme

Background Information

The Expansion East Kent programme was launched in December 2012. As at 30 September 2017, KCC had committed 160 investments totalling £36.2m to 153 companies within the local authority areas of Ashford, Canterbury, Dover, Shepway and Thanet. The main programme was suspended on 1 February 2015 and is no longer open to new applicants. The Small Business Boost Programme was closed in January 2016.

This annex provides full details of the funding awarded to companies within the East Kent and Ashford area from the Expansion East Kent and Small Business Boost Programmes.

1. Funding Awarded

1.1 The table below shows total funding committed, a breakdown per local authority, the number of jobs to be created and private sector investment (matched funding).

Expansion East Kent & Small Business Boost Scheme	Funds Awarded £	Private Investment £	No of Companies	No of jobs to be created	Saved posts	Total no of Jobs created/ safeguarded posts
Ashford*	250,500	115,578	9	25	6	31
Canterbury	8,714,680	9,181,719	44	1,264	89	1,353
Dover	15,131,357	28,377,539	34	688	246	934
Shepway	6,263,468	10,075,900	25	487	130	617
Thanet	6,026,256	8,901,781	41	415	270	685
Total	£36,386,261	£56,652,517	153	2,879	741	3,620

Total Committed Funding	£36,386,261	£56,652,517	153	2,879	741	3,620
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* The Expansion East Kent geographical boundary was expanded on 1 July 2014 to allow Ashford based companies to apply for the funding, therefore the number of companies awarded funding is not as high as the other areas.

1.2 Within the Expansion East Kent scheme, there is:-

- (a) an equity programme whereby the Investment Advisory Board agreed to ring fence and commit £5 million. All the funds for equity investments have been committed;
- (b) a small loan scheme, 'Small Business Boost', whereby the Investment Advisory Board agreed to ring fence £1 million from the original £35m. All the original allocation for Small Business Boost has been committed and

defrayed. An additional allocation (£602,648), from the accrued interest and recycled loan repayments, as directed by the Investment Advisory Board, has been made available. Total amount defrayed is £1,602,648.

2. Profile for Repayment of Funds

- 2.1 All repayment of loans and returns on Equity Investments will be reinvested into future financial support programmes for businesses. The table below provides details on the repayment profile. The total amount to be repaid is £20,508,493 by March 2021. Sixteen companies have been awarded equity investments.
- 2.2 There are two loan repayment periods per financial year i.e. March and September. The cumulative estimated amount to be repaid by March 2018 was £11,574,230. The actual amount repaid to date is £10,931,105, which represents an achievement of 94%. The target figure is subject to change, due to contract variations and applicants deciding to repay their loan in full earlier than anticipated, to allow early release of KCC charges.

2013/14 Target and Actual	2014/15 Target and Actual	2015/16 Target and Actual	2016/17 Target and Actual	2017/18 Target and Actual
Target=£335,294 Actual=£335,294	Target=£820,663 Actual=£820,667	Target=£2,344,506 Actual=£2,331,152	Target=£4,062,226 Actual=£3,605,935	Target=£4,011,541 Actual=£3,838,057
TOTALS TO DATE Target = £11,574,230 Actual = £10,931,105 94%				
2018/19 Target	2019/20 Target	2020/21 Target	Total Repayment due by 2021 £20,508,493	
£3,558,610	£3,217,234	£2,158,419		

3. Monitoring Returns (April 2018 to June 2018)

- 3.1 The monitoring returns for the Expansion East Kent programme for the period April 2018 to June 2018 have resulted in 62% being allocated Green status (performance fully met as per loan agreement) or Amber status (slight slippage but in the main delivery of job outputs as per loan agreement) as follows:-

No of companies who received funds	No of companies reporting on	No of companies in Green Risk Status	No of Companies in Amber Risk Status	No of Companies in Red Risk Status
152	85*	41 (48%)	12 (14%)	2 (38%)

Combined Loan Value				
£36,213,820	£20,489,886	£7,415,795	£7,170,968	£5,903,123

* Figures exclude companies not in the monitoring cycle, which are the companies that have repaid their loans, have completed their monitoring cycle, are bad debt or are reported on as part of an equity portfolio.

It is important to note there are three categories with the **RED** status – see table below, which represents data from the current quarter (April 2018 to June 2018):

Breakdown of Red Risk Status 38%	Category A Non-Payment of Debt	Category B Nil Return of Monitoring Form	Category C Significant shortfall on milestones / targets
No of Companies	5	3	29
Combined Loan Value	£140,116	£461,625	£5,441,498
Actions to be Taken	Companies in administration or no longer trading	Follow up email	Companies under review

The action taken on companies in **RED** Status is as follows:-

Category A =	5 companies
Action taken:	Repayment is being sought through legal channels.
Category B =	3 companies - nil return of monitoring form.
Action taken:	All 3 companies have received follow up emails and site visits have been undertaken, scheduled or planned.
Category C =	29 companies - significant delays in the following areas:- 9 companies: <ul style="list-style-type: none"> • Job creation significantly behind, loss of staff/poor retention, and/or no employment contracts to sufficiently evidence job creation. 15 companies: <ul style="list-style-type: none"> • Issues with loan repayments being met. 2 companies: <ul style="list-style-type: none"> • Delays in project delivery, contract variation could be required. 3 companies: <ul style="list-style-type: none"> • Delays in job creation and issues with loan repayments.
Action taken:	Discussions and/or site visits have been undertaken and/or are scheduled to ascertain any business issues. Where necessary contract variations have been undertaken or will be.

This shows the cumulative position of bad debt companies: -

Cumulative Bad Debts	No of Companies	Percentage number of companies supported	Loan Value	Loan recovered	Overall defrayed funds: £36,386,261
Previously Reported	25	16.4%	£3,268,430	£1,135,891	Total unrecovered bad debt

					£1,178,777
Current Quarter Bad Debt	5	3.3%	£140,116	£42,886	
Bad debt companies where full recovery achieved	-2 ¹	1.3%	£950,000	£950,000	Represents % of overall committed funds: 3.2%*
Total Bad Debt	28	18.4%	£3,408,546	£1,178,777	

* Based on unrecovered bad debt

3.2 The creating and safeguarding of contractual job targets have been verified from the monitoring returns covering the period April 2018 to June 2018. The evidence gathered includes employment contracts and payroll reports. The full details of jobs created and safeguarded are below:-

Job Status	Target to Date	Actuals to Date	Percentage against Target
Jobs Created	2,627	1,868	71% (Green)
Jobs Safeguarded (includes Indirect Jobs)	740	668	90% (Green)

¹ The -2 figure relates tot two companies where KCC has recouped all money owed/

Tiger Programme**Background Information**

The Tiger Programme for North Kent and Thurrock was launched in March 2013. As at 31 March 2015, KCC has committed 51 investments totalling £14,490,000 to 49 companies within Dartford, Gravesham, Medway, Swale and Thurrock. The programme is no longer open to new applicants.

This annex provides full details of the funding awarded to companies within the North Kent and Thurrock area from the Tiger Programme.

1. Funding Awarded

1.1 The table below shows total funding committed, a breakdown per local authority, the number of jobs to be created and private sector investment (matched funding).

Tiger Programme	Funding per Local Authority £ m	Private Investment £ m	No of Companies issued	No of Jobs to be Created	Saved Posts	Total Number of Jobs
Dartford	2,009,115	1,451,428	9	145	52	197
Gravesham	881,062	843,375	5	44	62	106
Medway	3,813,621	3,420,834	14	222	168	390
Swale	6,544,502	16,370,958	16	344	254	598
Thurrock	1,241,700	3,066,356	5	40	41	81
Total	14,490,000	25,152,951	49	795	577	1,372

Total Funding Committed	£14,490,000	£25,152,951	49	795	577	1,372
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2. Defrayment of Funds

2.1 Each company applying to the programme provides a profile for the drawdown of funds. This drawdown would be dependent on the needs of the businesses and the companies' plans for growth. The profile for the defrayment of funds is as follows:

Funds defrayed as of close of programme March 2015	= £14,490,000
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3. Profile for Repayment of Funds

3.1 All repayment of loans and returns on Equity Investments will be reinvested into future financial support programmes for businesses. The table below provides details on the repayment profile. The total amount to be repaid is £11,377,184 by March 2021. Two companies were awarded equity investments totalling £1,424,072.

3.2 There are two loan repayment periods per financial year i.e. March and September. The cumulative estimated amount to be repaid by March 2018 was £6,325,815. The actual amount repaid to date is £6,043,098, which represents an achievement of 96%. The target figure is subject to change, due to contract variations and applicants deciding to repay their loan in full earlier than anticipated, to allow early release of KCC charges.

2013/14 Target and Actual	2014/15 Target and Actual	2015/16 Target and Actual	2016/17 Target and Actual	2017/18 Target and Actual
Target=£3,254 Actual=£3,254	Target=£493,284 Actual=£493,284	Target=£1,866,023 Actual=£1,866,023	Target= £2,105,817 Actual = £2,063,803	Target= £1,857,437 Actual = £1,616,734
TOTALS TO DATE				
Target = £6,325,815 Actual = £6,043,098 96%				
2018/19 Target	2019/20 Target	2020/21 Target	Total Repayment due by 2021	
£2,573,234	£1,508,102	£970,033	£11,377,184	

4. Monitoring Returns (April 2018 to June 2018)

4.1 The monitoring returns for the Tiger Programme for the period April 2018 to June 2018, have resulted in 81% being allocated Green status (performance fully met as per loan agreement), or Amber status (slight slippage but in the main delivery of job outputs as per loan agreement), as follows:

No of companies who received funds	No of companies reporting on	No of companies reporting on	No of companies in Green Risk Status	No of companies in Amber Risk Status	No of companies in Red Risk Status
49	37 8 bad debts 4 loans repaid	37	26 (70%)	4 (11%)	7 (19%)
Combined Loan Value					
£14,490,000	£10,774,706	£10,774,706	£6,601,297	£1,903,250	£2,270,159

It is important to note there are three categories within the **RED** status – see table below:-

Breakdown of Red Risk Status 19%	Category A Non-Payment of Debt	Category B Nil Return of Monitoring Form	Category C Significant Shortfall on Milestones / Targets
No of Companies	0	0	7
Combined Loan Value			£2,270,159
Actions to be Taken			Companies under review

The action taken on 7 companies in Red Status is as follows:

Category A =	N/a
<i>Action taken:</i>	
Category B =	N/a
<i>Action taken:</i>	
Category C =	1 company: <ul style="list-style-type: none"> Significant delays in the areas of recruitment. 5 companies: <ul style="list-style-type: none"> Issues with loan repayments. 1 company: <ul style="list-style-type: none"> Issues with loan repayments and delays in recruitment.
<i>Action taken:</i>	All 7 companies are being closely monitored with regard to achievement of outputs, site visits have been arranged and/or scheduled or contract variation discussions are taking place.

* Excluded from figures in 4.1 due to being bad debt.

Cumulative Bad Debts	No of Companies	Percentage Number of Companies Supported	Loan Value	Loan Recovered	Overall Defrayed Funds
Previous Bad Debt	8	16.2%	£1,756,213	£244,051	£14,490,000
Current Quarter Bad Debt	0	0%	£0	£0	Total unrecovered bad debt: £244,051
Total Bad Debt	8	16.2%	£1,756,213	£244,051	Represents % of Overall Defrayed Funds: 10.4%*

* Based on unrecovered bad debt

4.2 The creating and safeguarding of contractual job targets have been verified from the monitoring returns covering the period April 2018 to June 2018. The evidence gathered includes employment contracts and payroll reports. The full details of jobs created and safeguarded are below:-

Job Status	Target to Date	Actuals to Date	Percentage against target
Jobs Created	725	668	92% (Green)
Jobs Safeguarded	578	534	92% (Green)

Escalate**Background Information**

The Escalate Programme for West Kent and parts of East Sussex was launched in December 2013. As at 31 March 2015, KCC has committed £5,510,000 to 40 companies and the programme is no longer accepting any new applications.

This annex provides full details of the funding awarded to companies within the districts of West Kent and three districts of East Sussex from the Escalate Programme.

1. Funding Awarded

1.1 The table below shows total funding committed, a breakdown per local authority, the number of jobs to be created and private sector investment (matched funding).

Escalate Programme	Funding per Local Authority £	Private Investment £	No of Companies	No of Jobs to be Created	Saved Posts	Total Number of Jobs
Maidstone	2,720,588	3,058,832	12	158.56	108.67	267.23
Rother	136,250	136,250	3	18.27	3	21.27
Sevenoaks	594,000	710,472	6	33.6	18.27	51.87
Tonbridge & Malling	698,510	697,798	7	55.37	18	73.37
Tunbridge Wells	1,158,250	1,397,250	11	151.11	21.26	172.37
Wealden	200,000	200,000	1	6	4	10
Total	**5,507,598	6,200,602	40	422.91	173.2	596.11

*Hastings Funding total is zero

**£10,000 uncommitted within Tiger and £2,402 contribution to marketing

Total Funding Committed	£5,507,598	£6,200,602	40	423	173	596
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2. Defrayment of Funds

2.1 Each company applying to the programme provides a profile for the drawdown of funds. This drawdown would be dependent on the needs of the businesses and the companies' plans for growth. The profile for the defrayment of funds is as follows:-

Funds defrayed as of close of programme March 2015	= £5,510,000*
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* Includes £2,402 contribution to marketing

3. Profile for Repayment of Funds

3.1 All repayment of loans, and returns on Equity Investments, will be reinvested into future financial support programmes, for businesses. The table below provides details of the repayment profile. The total amount to be repaid is £4,306,399. One company was awarded equity investment to the sum of £250,000.

3.2 There are two loan repayment periods per financial year i.e. March and September. The cumulative estimated amount to be repaid by March 2018 was £2,590,475. The actual amount received to date is £2,575,413, which represents an achievement of 99.4%. The target figure is subject to change, due to contract variations and applicants deciding to repay their loan in full earlier than anticipated, to allow early release of KCC charges. The total repayment due by March 2021 is £4,306,399.

2014/15 Target and Actual	2015/16 Target and Actual	2016/17 Target and Actual	2017/18 Target and Actual	TOTAL TO DATE
Target=£131,760 Actual=£131,760	Target=£820,351 Actual=£820,351	Target=£817,115 Actual=£817,115	Target=£821,249 Actual=£806,187	Target=£2,590,475 Actual=£2,575,413 99.4%
2018/19 Targets	2019/20 Targets	2020/21 Targets	Total Repayment due by 2021: £4,306,399	
£871,703	£579,457	£264,764		

4. Monitoring Returns (April 2018 to June 2018)

4.1 The monitoring returns for the Escalate Programme for the period April 2018 to June 2018, have resulted in 80% being allocated Green status (performance fully met as per loan agreement), or Amber status (slight slippage but in the main delivery of job outputs as per loan agreement), as follows:

No of companies	No of companies reporting on	No of companies reporting on	No of companies in Green Risk Status	No of companies in Amber Risk Status	No of companies in Red Risk Status
40* *includes 8 bad debt and 2 loans repaid	30	30	18 (60%)	6 (20%)	6 (20%)
Combined Loan Value					
£5,507,598	£4,201,010	£4,201,010	£2,806,544	£1,132,216	£262,250

It is important to note there are three categories with the **RED** status in this current quarter – see table below:-

Breakdown of Red Risk Status 20%	Category A Non-Payment of Debt	Category B Nil Return of Monitoring Form	Category C Significant Shortfall on Milestones / Targets
No of Companies	1	1	5
Combined Loan Value	£110,590	£50,250	£212,000
Actions to be Taken	Company in administration	Follow up email	Companies under review

The action taken on 7 companies in Red Status in the current quarter is as follows:-

Category A =	1 company
<i>Action taken:</i>	Companies in administration
Category B =	1 company
<i>Action taken:</i>	Both companies have received follow up emails and site visits have been undertaken, scheduled or planned.
Category C =	1 company: <ul style="list-style-type: none"> • Issues with loan repayments and behind on job targets. 3 companies: <ul style="list-style-type: none"> • Behind on job targets. 1 company: <ul style="list-style-type: none"> • Company dormant.
<i>Action taken:</i>	Currently in discussion with companies to reach resolution.

* Excluded from figures in 4.1 due to being bad debt.

Cumulative Bad Debts	No of Companies	Percentage Number of Companies Supported	Loan Value	Loan Recovered	Overall Defrayed Funds
Previous Bad Debt	7	17.5%	£911,000	£192,190	£5,507,598
Current Quarter Bad Debt	1	2.5%	£110,590	£1,000	Total unrecovered bad debt: £193,190
Total Bad Debt	8	20%	£1,021,590	£193,190	Represents % of Overall Defrayed Funds: 15.0%

4.2 The creating and safeguarding of contractual job targets have been verified from the monitoring returns covering the period April 2018 to June 2018. The

evidence gathered includes employment contracts and payroll reports. The full details of jobs created and safeguarded are below:-

Job Status	Target to Date	Actuals to Date	Percentage against Target
Jobs Created	378	304	80% (Green)
Jobs Safeguarded	173	150	87% (Green)