

From: Mike Whiting, Cabinet Member for Economic Development

David Smith, Director, Economic Development

To: Growth, Economic Development and Communities Cabinet Committee, 17 November 2020

Subject: Regional Growth Fund Administrative Changes

Key decision 20/00103

Classification: Unrestricted

Past Pathway of report: N/A

Future Pathway of report: Key Decision

Electoral Division: Dartford- Wilmington, Dartford North East, Dartford East, Swanscombe and Greenhithe, Dartford Rural, Dartford West. Gravesham - Northfleet & Gravesend West, Gravesend East, Gravesham Rural. Swale - Sheppey, Swale East, Sittingbourne North, Faversham, Swale West, Sittingbourne South.

**Summary:** This report outlines a proposal to allow Thurrock Companies limited access to loans from the Kent and Medway Business Fund (KMBF) under the same terms and conditions as those offered to Kent and Medway companies.

**Recommendation(s):**

The Cabinet Committee is asked to consider and endorse, or make recommendations to the Cabinet Member for Economic Development on the proposed decision to delegate authority to Director of Economic Development to:

- (i) Enter into relevant contracts, legal agreements and put appropriate arrangements in place required to implement this decision, allowing Thurrock Companies to access loans from the Kent and Medway Business Fund (KMBF).
- (ii) That these loans will be financed from recycled loan repayments previously obtained from Thurrock companies that received funds via the former RGF Tiger programme.
- (iii) These loans shall be subject to the same rules, criteria and administrative charges as loans that are allocated under the existing KMBF to Kent and Medway companies.

Proposed Record of Decision is attached as Appendix A.

## 1. Introduction

- 1.1 Kent County Council is seeking to allow Thurrock Companies limited access to loans from the Regional Growth Fund (RGF) funded Kent and Medway Business Fund (KMBF).
- 1.2 These loans will be financed from recycled loan repayments previously obtained from Thurrock companies that received funds via the former RGF Tiger programme.
- 1.3 These loans shall be subject to the same rules, criteria and administrative charges as loans that are allocated under the existing KMBF to Kent and Medway companies.

## 2. Background, Options & Risks

- 2.1 KCC administers, under government contracts from the Department for Business, Energy & Industrial Strategy - BEIS, the RGF which offers investments to eligible businesses and receives repayment on these investments.
- 2.2 Until January 2016 via the former RGF Tiger programme, companies in Thurrock were eligible to receive investment funding. The KMBF was established in 2017 and replaced the former RGF Tiger programme.
- 2.3 The decision was made at that time to restrict access to the KMBF scheme to Kent and Medway companies only (Decision 16/00107) and draw up alternative arrangements for the transfer of funds to the former eligible areas outside Kent and Medway. The underlying government contract with BEIS covering North Kent and Medway still includes Thurrock as an eligible area.
- 2.4 In 2019 KCC agreed to transfer the recovered loan repayments obtained from Thurrock companies back to Thurrock Council in line with a similar arrangement agreed with East Sussex County Council (Decision 19/00019). A KCC Key Decision was published to facilitate the Thurrock transfer (Decision 19/00041). The plan was for Thurrock Council to receive and oversee the use of these funds to support local small and medium sized enterprises in their local authority area. It has not proved possible to transfer these funds to Thurrock Council as this local authority does not have in place the required contract with BEIS.
- 2.5 **Options** -The preferred KCC option was to transfer the funds to Thurrock Council but this proved not to be legally possible due to the lack of an existing contract between Thurrock Council and BEIS. The only other practical option remaining to fulfil our current BEIS contract is for KCC to distribute funds directly to Thurrock companies via a small loan programme on behalf of Thurrock Council, covering the costs of the appraisal, decision-making and monitoring from an administrative charge levied on all loans to Thurrock companies (the same charge is currently levied on Kent and Medway companies).

- 2.6 **Risks** - If KCC does not facilitate access to the existing KMBF programme for Thurrock Companies, the recycled loan repayments previously recovered from Thurrock Companies may not be committed to businesses and may be returned to BEIS at the end of the current contract after March 2023.

### 3. Financial Implications

- 3.1 The capital costs are the potential value of the recycled RGF loans repayments from Thurrock companies which is currently estimated at £312,746. Currently KCC has recovered £212,456 in RGF loan repayments. A further £100,290 may be recovered from another Thurrock company in administration.

<b>Thurrock Companies Loans &amp; Equity</b>				
<b>Total Loan</b>	<b>Total Equity</b>	<b>Loan Repayments</b>	<b>Loan to be recovered</b>	<b>Unrecoverable Loan</b>
£871,700	£250,000	£212,456	£100,290	£558,954

- 3.2 The Revenue costs of this activity will be funded from an administrative charge levied on all Thurrock companies receiving loans.

### 4. Legal implications

KCC has discussed various options with BEIS. We have an existing BEIS contract which still lists Thurrock as an eligible area. Therefore, Thurrock companies are still technically able to receive recycled RGF Funds but the current Key Decision (Decision 16/00107) for the KMBF programme does not have the provision to allow access for Thurrock companies. BEIS has confirmed that funds cannot be transferred directly to Thurrock Council as Thurrock does not have an existing contract in place with BEIS. The loans will be awarded using the same decision-making structures, procedures, and safeguards as the current KMBF loans. KCC are discussing with Thurrock Council the option for a representative from their authority to attend decision-making boards. Invicta Law Ltd will be engaged to draw up the relevant contracts using the same format as those for Kent and Medway companies and debt recovery will operate in the same way.

### 5. Equalities implications

- 5.1 An Equality Impact Assessment (EqIA) has been appended to this report.

### 6. Other corporate implications

- 6.1 This decision does not have an impact in other areas of the Council's work.

### 7. Governance

- 7.1 The decision will give the Director of Economic Development delegated authority to take the necessary actions to implement the decision.

## 8. Conclusions

- 8.1 KCC will allow Thurrock Companies limited access to loans from the KMBF scheme.
- 8.2 These loans will be financed from recycled loan repayments previously obtained from Thurrock companies.
- 8.3 These loans shall be subject to the same rules, criteria and administrative charges as loans to Kent and Medway companies.
- 8.4 The KCC costs of administering this scheme shall be covered by a charge to Thurrock companies.

## 9. Recommendations

The Cabinet Committee is asked to consider and endorse, or make recommendations to the Cabinet Member for Economic Development on the proposed decision to delegate authority to Director of Economic Development to:

- (i) Enter into relevant contracts, legal agreements and put appropriate arrangements in place required to implement this decision, allowing Thurrock Companies to access loans from the Kent and Medway Business Fund (KMBF).
- (ii) That these loans will be financed from recycled loan repayments previously obtained from Thurrock companies that received funds via the former RGF Tiger programme.
- (iii) These loans shall be subject to the same rules, criteria and administrative charges as loans that are allocated under the existing KMBF to Kent and Medway companies.

Proposed Record of Decision is attached as Appendix A.

## 10. Background Documents

- Appendix A – Proposed Record of Decision
- Appendix B – Equality Impact Assessment

## 11. Contact details

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