

From: Derek Murphy, Cabinet Member for Economic Development
Simon Jones, Corporate Director of Growth, Environment & Transport

To: Growth, Economic Development and Communities Cabinet Committee - 17 November 2021

Subject: **Kent and Medway Business Fund – Next Phase**

Classification: **Unrestricted**

Summary: This report outlines the parameters and criteria of the next phase of the Kent and Medway Business Fund (KMBF (Standard)), which opened to applications on 29 October 2021 and those of the KMBF Small Business Boost (KMBF (SBB)) opening in early Spring 2022.

Recommendation:

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

1. Background information

1.1 The Regional Growth Fund (RGF) was established by the Government in June 2010 with three objectives:

- To facilitate new investment by private sector enterprise: the aim was to support projects with significant potential for economic growth and to create sustainable private sector employment.
- To help those areas and communities that were particularly dependent on the public sector to make the transition to sustainable private sector-led growth and prosperity; and
- To address a market failure in the provision of bank lending to viable small and medium sized businesses who had a limited credit history or track record and required finance on flexible terms given their limited collateral.

1.2 The Department for Business, Energy, and Industrial Strategy (BEIS) allocated £55 million from the Government's Regional Growth Fund to KCC between 2011 and 2014. This funded three RGF schemes covering the whole of Kent and Medway and additional local authority areas:

- Expansion East Kent (East Kent - £35 million).
- TIGER (North Kent and Thurrock - £14.5 million).
- Escalate (West Kent and parts of East Sussex - £5.5 million).

1.3 These RGF schemes provided grants, loans, and equity investments for businesses with investment plans leading to job creation and growth from November 2011 to January 2016. For most businesses, loan finance was provided at 0% interest, with a repayment period of between 5 and 7 years.

1.4 Since January 2017, KCC has used the recycled RGF loan repayments to enable the Kent and Medway Business Fund (KMBF) to provide loans and equity investments ranging between £50,000-£500,000 to eligible applicants across Kent and Medway. Loans are generally interest free, with a repayment period of up to 5 years.

1.5 The table below shows as of 30 June 2021 the total funding committed in loan and equity investments, broken down by company location, the number of jobs created\protected and private sector investment (leverage).

Districts	Company Location £	Private Investment £	No of Businesses	No of Jobs Created	No of Jobs Protected	Total Number of Jobs
Ashford	£1,039,600	£982,928	17	34	21	55
Canterbury	£9,270,080	£9,737,619	60	1,311	89	1,400
Dartford	£2,470,115	£2,238,578	16	119	53	172
Dover	£13,530,183	£12,636,972	57	370	162	532
Folkestone & Hythe	£6,513,468	£10,175,900	30	244	122	366
Gravesham	£881,062	£843,375	5	55	60	115
Maidstone	£3,272,587	£3,487,936	19	100	91	191
Medway	£4,798,621	£4,246,218	26	232	155	387
Rother (1)	£136,250	£136,250	3	24	3	27
Sevenoaks	£644,000	£760,472	7	48	18	66
Swale	£7,685,202	£19,140,158	27	284	287	571
Thanet	£8,416,256	£11,264,724	62	446	277	723
Thurrock (2)	£1,121,700	£1,421,355	5	72	13	85
Tonbridge & Malling	£1,173,510	£1,187,798	12	46	21	67
Tunbridge Wells	£1,993,000	£2,257,250	16	136	26	162
Wealden (1)	£200,000	£200,000	1	5	4	9
Total	£63,145,634	£80,717,533	363	3,526	1,402	4,928

1. Not part of the eligible area for the Kent and Medway Business Fund since 2017.

2. KCC is now working with Thurrock to develop a fund managed by KCC to support Thurrock businesses.

1.6 Since 2011, 67 businesses have had loans or equity which are in Category A (Bad Debt) with a value of £9,302,882 of which £2,293,657 has so far been recovered. The total of funds not yet recovered is therefore £7,009,225 which equates to 11.10% of the total loan and equity investments made. This includes businesses which KCC is still actively pursuing to repay the debt and where further debt recovery is still possible (£2,990,665). The total of loans written off (where debt recovery is no longer possible) is £5,270,465.

1.7 The KMBF (Standard) launched in October 2021 and KMBF (SBB) launching in Spring 2022 will offer investments in the form of loans, financed from recycled equity and loan repayments received from previous recipients of both the KMBF and the former Regional Growth Fund (RGF) schemes.

2. KMBF (Standard) – launched October 2021 - parameters and criteria

2.1 The funding allocation has been set at £8 million.

2.2 The KMBF (Standard) scheme invites applications from businesses with strong plans to help grow the Kent and Medway economy who can:

- demonstrate strong and effective foundations and plans for growth and innovation, whilst protecting and creating jobs in Kent and Medway.
- introduce a new product, service, or technology or invest in new processes to improve productivity.
- work to reduce their net carbon footprint; and
- identify economic support through a Kent-based supply chain.

2.3 The fund offers loans between £100k and £500k, match funded at a minimum of 50%, classed as private sector leverage. Applicants will normally be asked to provide security and/or personal guarantees to the value of the loan provided.

2.4 The project eligibility criteria are:

- located within Kent and Medway or be looking to relocate their business to Kent and Medway.
- within one of the following sectors¹:
 - Manufacturing
 - Pharmaceuticals and Life Sciences
 - Green Technology
 - Digital, media, creative and cultural industries, and tourism
 - Food technology manufacturing
 - Logistics and construction
- putting forward proposals that protect and/or create new jobs.
- can only apply for eligible expenditure (tangible and intangible assets, employment costs of newly created jobs)

2.5 The following criteria apply to any approved loan:

- 0% interest (an administration fee of 5% of loan value is required).
- A 6-month repayment holiday following receipt of funds; and
- Repayment thereafter over a period of 5 years (or earlier).

3. KMBF (Small Business Boost) – launching Spring 2022 - parameters and criteria

3.1 The funding allocation has yet to be determined and will be set prior to launch.

¹ This does not preclude applications from other sectors, where the scheme criteria are met.

- 3.2 This scheme will invite applications from existing and new businesses, who only have a recent trading history, but have a strong project proposal.
- 3.2 The scheme will offer loans between £26k and £99k, match funded at a minimum of 50%, classed as private sector leverage.
- 3.3 The eligibility criteria that will be required to be met, will mirror that of KMBF Standard, above.
- 3.4 The following criteria applies to any approved loan:
- 0% interest (an administration fee, percentage to be determined).
 - A 6-month repayment holiday following receipt of funds; and
 - Repayment thereafter over a period of 5 years (or 7 in exceptional circumstances).

4. Application and decision-making process

- 4.1 The online application process consists of the following:
- Pre-application: A pre-application determines basic eligibility and whether project content and spend is in line with the scheme criteria outlined within the Guidance Notes. Applicants who meet the eligibility and scheme criteria are then invited to submit a full application. Those applicants who do not, are signposted to the Kent & Medway Growth Hub² and/or other suitable provision offering both financial and non-financial business support provided by other teams within KCC.
 - Full Application: A full application provides much more detail on the funding proposal and is supported by several key documents which facilitate the ability to assess the viability of the project and any associated risks. The full application is scrutinised as follows:
 - Internal assessment of full application.
 - Internal request for individual company and director checks from Trading Standards.
 - External appraisal to include a written appraisal report of the full application and supporting documents.
 - Appraisal report circulated to the Investment Advisory Board
 - Presentation by the loan applicant to the Investment Advisory Board to inform the decision to approve or decline to fund.

Thereafter, the Business Investment Team, undertake the following:

- Provide the applicant with an Offer in Principle based on the loan conditions recommended by the Investment Advisory Board and approved

² The Kent & Medway Growth Hub provides access to the knowledge, expertise, specialist resources and the inspiration required to help businesses start, grow, and scale, and to realise their true potential – including developing and grasping new opportunities and new routes to market; with the objective is to simplify access to advice and support, hiding the complexity of multiple sources to provide an impartial and free-to-access single point of entry for businesses.

by Kent County Council. The Business Investment Team then enter the contract negotiation stage with the successful applicant, draw up legal documentation, pay the loan, with the loan recipient starting the quarterly monitoring framework, the outcome of which is regularly reported to the Growth, Economic Development and Communities Cabinet Committee.

- Unsuccessful applicants are contacted in person and provided with a written letter detailing why their application could not be approved. The business is then signposted to access alternative forms of business support.

4.2 Extracts from the new Programme Brochure can be found at **Appendix 1**. The application, assessment and decision-making process is detailed within the Prospectus and the Guidance Notes. A flow diagram of the entire process can be found at **Appendix 2**.

5. Policy Framework

5.1 KCC's Interim Strategic Plan sets out the short-term goals and this loan fund scheme assists in meeting the Economic Challenge.

6. Financial Implications

6.1 The RGF/KMBF schemes are the subject of two contracts with the Department for Business Energy and Industrial Strategy (BEIS), which precludes the funds being used for anything other than the support of Kent and Medway businesses, with the administration costs of the scheme falling to KCC. KCC currently applies a 5% management fee to each approved loan, along with a 5% administration charge. These are expected to cover the total costs of administering the scheme (both internal and external).

6.2 The capital costs will be sourced from current and future recycled loan and equity investments from the KMBF and former RGF schemes. These are estimated at £23 million; and consists of (a) current uncommitted recycled loan repayments; and (b) estimated total of the future recycled loan repayments up to March 2023.

6.3 The KMBF (Standard) scheme has been allocated £8 million towards loans, with the KMBF (SBB) scheme allocation yet to be determined and will be dependent on the funding available when the scheme launches in spring 2022.

7. Equalities and data protection implications

7.1 An Equality Impact Assessment (EqIA) was undertaken in March 2021.

7.2 The EqIA will be kept under review as the scheme progresses.

8. Data Protection

8.1 No adverse data protection issues are expected as part of this scheme.

9. Recommendations

Recommendation:

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

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Appendix 1

See Attached file

Appendix 2

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KMBF Application Process

