

Evaluation of the Kent and Medway Business Fund:

Summary of findings

January 2023

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Introduction: Evaluating the KMBF

Ten years on from the establishment of the initial RGF-funded schemes, Kent County Council commissioned an evaluation to consider

- The **impact** of the KMBF on the Kent and Medway economy and its value for money
- The **process** through which KMBF was delivered, how this evolved and lessons learnt
- The **strategic alignment** of the Fund and how it contributes to wider economic development

... to help inform KCC in the future design of the Fund and in its discussions with Government

Approach

- Analysis of monitoring data going back to the start of the earlier Expansion East Kent, TIGER and Escalate schemes (with a cut-off of August 2021 for most data)
- Business survey of beneficiary businesses and unsuccessful applicants (121 responses in total)
- 12 in-depth interviews with firms that secured KMBF funds
- Interviews with other strategic stakeholders
- Principally focused on loan scheme

Performance

- By August 2021, **£52.4 million in loan payments approved** (across KMBF and predecessor schemes) through 328 loan agreements (with £52.1 million defrayed at that point)
- **£30.3 million cumulatively repaid** into the Fund (higher gap between payments due and actual receipts during Covid-19, but expected to fall as emergency repayment holidays came to an end)
- **Average loan value on current KMBF was £106k**, broadly in line with the average finance request reported through the UK Small Business Survey
- **All beneficiary firms since 2017 have been SMEs**, reflecting the composition of the county's business base
- Diverse sectoral distribution, although relatively **strong representation from manufacturing and technology** businesses
- **'Bad debt' rates around 12% of loans agreed by value** since 2012. But mostly relates to loans agreed in 2012-14 – suggesting learning and improvement over time, and in line with national comparators
- **Value of combined equity portfolio had increased by 5.5%** on original investment by March 2022

Impact

- By August 2021, KMBF and predecessor programmes had **created 3,485 FTE jobs and safeguarded 1,400**. Job outputs are measured on evidence of specific jobs created or safeguarded, and are considered robust
- **Unit cost per job around £10,700** – relatively low vs. national comparators and lower than the cost per job anticipated in original business case
- By August 2021, the loan schemes had secured **£74.8 million in private sector leverage** – a ratio of around 1.45:1 on loans defrayed
- **Benefit: cost ratio to 2021 estimated at 5.56:1**. But the BCR could rise over time as funds are reinvested
- **Additionality relatively high**: 42% of respondents said they would not have delivered the project at all without KMBF support
- Other benefits included increased turnover, staff development and investment in innovation/ product development

“By expanding to our new property, we’ve been able to increase our product range and we have doubled our turnover as a business... we’re now exporting to the US and we’re looking to expand further”

“Being able to do it all at once [building and equipment] was integral to getting the business up and running”

Process and management

- Management information for the loan scheme is robust and of high quality
- **Most beneficiary businesses were satisfied with the application and appraisal process.** There is evidence that processes have become more streamlined, and guidance is clear
- Consultees were **generally positive about the way in which the KMBF is managed**, especially in relation to the approachability and responsiveness of the Business Investment Team
- Members of the Investment Advisory Board make a substantial contribution to the running of KMBF, and the membership contains a range of external members with business experience.
- However, **some applicants observed that they were given insufficient time in presenting to the IAB:** it may be useful to address this to ensure equal opportunities for all applicants

“The guys are really helpful. We were worried about our ability to meet our repayment schedule at one point, so we asked about the possibility of a break in payments. They were very approachable”

“The whole process was aimed at helping me..... the team have been very responsive”

Alignment with strategy and future need

- The focus on job creation aligned with the original objectives of the Regional Growth Fund, But there is **potentially an inconsistency between the 'core metric' of direct job creation and the aim of the KMBF to also support greater productivity and innovation.** It may be helpful to adopt a wider range of metrics to account for this
- **Efforts are made to align the KMBF with other measures to support business growth.** Efforts are also made to encourage the application of 'cross-cutting themes' (such as interaction with the skills system and environmental sustainability)
- Strong evidence of **alignment between the KMBF and the package of measures to support the growth of Discovery Park** (and the life science sector) as a key economic asset.
- Based on the Longitudinal Business Survey, we estimate that there is likely an **annual 'finance gap'** in Kent and Medway (i.e., firms with viable propositions which cannot obtain finance) of between £9 million and £45 million – KMBF an important part of the mix in bridging the gap.

Research, analysis and advice

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