
From: Stephanie Holt- Caste, Director of Growth & Communities

To: David Wimble, Cabinet Member for Economic Development & Special Projects

Subject: Kent and Medway Business Fund 2026 – Revised Loan Offer

Key Decision: 26/00010

Classification: Unrestricted

Past Pathway of report: N/A

Future Pathway of report: Cabinet Member Decision

Electoral Division: All

Is the decision eligible for call-in? Yes

Summary: The proposed decision is that Kent County Council (KCC) agree improvements and changes to the loan terms of the Kent & Medway Business Fund (KMBF) from 1 April 2026 with a revised loan offer, terms and eligibility to businesses within Kent & Medway, following a formal review of the scheme during an Awayday of the Investment Advisory Board and its Sub-Group. The scheme will continue to be administrated in line with its approval from the Head of Regional Growth Fund (RGF), Department of Levelling Up, Housing and Communities (DLUCH) (now Ministry of Housing, Communities and Local Government) received on 12 June 2023, allowing Kent County Council to continue managing the recycled KMBF/RGF investments to provide loans to local businesses until March 2032.

Recommendation(s):

The Cabinet Member for Economic Development & Special Projects is asked to agree to:

1. APPROVE the improvements and changes to the loan offer, terms, and eligibility criteria for the Kent & Medway Business Fund (KMBF), to take effect from 1 April 2026.
2. APPROVE the continued governance and administration arrangements for the KMBF, including the delegation of authority to the Director of Growth & Communities (and Head of Economy where appropriate) to approve individual loan and equity investment decisions in accordance with the Officers' Scheme of Delegation
3. CONFIRM that the scheme will continue to operate until March 2032 under the approvals granted by DLUHC/MHCLG.

1. Introduction

1.1 The Government allocated £55 million from the Regional Growth Fund (RGF) to KCC between 2011 and 2014. This funded three RGF programmes covering the whole of Kent and Medway and additional local authority areas:

- East Kent (Expansion East Kent - £35 million).
- North Kent, Medway, and Thurrock (Tiger - £14.5 million).
- West Kent (Escalate -£5.5 million).

1.2 These programmes operated from November 2011 to January 2016. For most businesses, loan finance was provided at 0% interest, with a repayment period of between five and seven years. KCC's costs of administering these programmes were fully covered by an administration charge deducted from each loan and a charge to the RGF allocation.

1.3 Since January 2017, KCC has used the recycled KMBF\RGF investments (loan repayments and sale of shares in equity stakes) to enable the KMBF to provide new loans ranging between £26,000-£600,000 to eligible businesses across Kent and Medway in addition to a small number of equity investments managed separately by an external supplier. Most funding recipients receive interest-free loans, with a repayment period of up to five years. The recycled KMBF/RGF investments were also used to finance the Kent Life Sciences (KLS) Fund, a sub-programme of the KMBF programme, which provides equity investments in companies predominantly in the life science sector to support their growth. Since 2017, KMBF has made the following investments:

- No of Loan Investments: 161; Total Loan investment £17,693,327
- No of Equity Investments: 9 companies; Total Equity Investment £4,350,000
- KMBF Jobs created Full Time equivalent (FTE) 623.89
- KMBF Jobs Protected Full Time equivalent (FTE) 135.62

2. Background

2.1 On 12 June 2023 the Head of Regional Growth Fund, DLUHC (now MHCLG), provided written confirmation allowing KCC to continue managing the recycled KMBF/RGF investments to provide loans to local businesses until March 2032.

2.2 On 16 September 2025 the members of the Investment Advisory Board (IAB) and IAB Sub-Group came together to review the historic performance of the KMBF/RGF schemes. Following the review the terms were revised to ensure continued compliance, financial sustainability and alignment with the Fund's objectives through to March 2032.

2.3 On 10 February 2026, the Chairs of the Investment Advisory Board and its Sub-Group considered and agreed the proposed future loan offer, terms and eligibility for the Kent & Medway Business Fund, in line with the requirements of the Subsidy Control Act. The revised scheme criteria are set out below.

Kent & Medway Business Fund (Standard)	
Offer/Terms	Eligibility
<p>Loan Offer £100k-£750k (0% Interest)</p>	<p>Business Type Kent & Medway SME SME wishing to relocate to Kent & Medway Established Start-Ups (Start-Ups – need to demonstrate contracts, security, experience of the industry and ability to ensure financial viability and serviceability)</p>
<p>Repayment Period Term of Loan: £100k to £600k – 5 years £601k to £750k – 8 years</p> <p>Repayment free period 6 months</p>	<p>Sectors Applications invited from all sectors PARTIAL ELIGIBLE SECTORS Primary production and processing of agricultural products. Restriction only to expenditure related to the cultivation of soil, planting, raising and harvesting crops, feeding and managing animals. The restriction does not apply to expenditure related to non-agriculture diversification or innovative activities related to agriculture i.e. new products, processes and services. NON-ELIGIBLE SECTORS KMBF cannot accept applications from firms active in the following sectors, as they are ineligible and cannot be considered for support: - •Organisations engaged in political activity or lobbying at any level or activity of an exclusively religious nature.</p>
<p>Match Funding/Admin Fee Match – 50% of total project costs</p> <p>Admin Fee: £100k to £600k: 10% of total loan amount £601k to £750k: 15% of total loan amount</p> <p>Early Repayment Reward: Option to repay remaining outstanding loan amount at 66 months, with 5% of the original administration fee deducted for early repayment from the remaining balance.</p>	<p>Criteria Growth (Mandatory) Increased Productivity (Mandatory) Innovation (Desirable) Supply Chain (Desirable) Environmental Improvements (Desirable) Skills Improvements (Desirable)</p>
<p>Security Security will be required for all loans but commensurate with risk. Personal Guarantees may also be required from all the directors and/or owners for at least the value of the loan capital</p>	<p>Employment Job Creation Job Protection</p>

KMBF Small Business Boost	
Offer/Terms	Eligibility
<p>Loan Offer £26k-£99k (0% Interest)</p>	<p>Business Type Kent & Medway SME SME wishing to relocate to Kent & Medway Established Start Ups</p>
<p>Repayment Period Term of loan – 5 years (following a 6-month repayment free period)</p>	<p>Sectors Applications invited from all sectors PARTIAL ELIGIBLE SECTORS Primary production and processing of agricultural</p>

	<p>products. Restriction only to expenditure related to the cultivation of soil, planting, raising and harvesting crops, feeding and managing animals. The restriction does not apply to expenditure related to non-agriculture diversification or innovative activities related to agriculture i.e. new products, processes and services.</p> <p>NON-ELIGIBLE SECTORS KMBF cannot accept applications from firms active in the following sectors, as they are ineligible and cannot be considered for support: -</p> <ul style="list-style-type: none"> •Organisations engaged in political activity or lobbying at any level or activity of an exclusively religious nature.
<p>Match Funding/Admin Fee Match – 25% of total project costs</p> <p>Admin Fee – 10%</p>	<p>Criteria Growth (Mandatory) Increased Productivity (Mandatory) Innovation (Desirable) Supply Chain (Desirable) Environmental Improvements (Desirable) Skills Improvements (Desirable)</p>
<p>Security Security may be required and will depend on the output of the Council's due diligence, the recommendation received from its financial advisors and recommendation from the Investment Advisory Board Sub-Group. There is no specific loan value at which security may be required, it will be at the Council's discretion and subject to the level of risk assessment.</p>	<p>Employment Job Creation Job Protection</p>

3. Options (other options considered but discarded)

- 3.1 To close the Fund and return the recycled money to the Ministry of Housing, Communities and Local Government. This option was dismissed, as the funds are better utilised to support growth, increase productivity and job creation/protection within Kent & Medway.

4. Financial Implications

- 4.1 The approximate overall KCC revenue costs of administering the loan schemes are around £670,000 per annum which are fully covered by an administration fee taken from successful loan applicants. The overall administration costs are made up of staff costs, legal, due diligence/appraisal, and the ongoing monitoring costs associated with the lifespan of each individual investment held within the loan portfolio.
- 4.2 To support the relaunch of the scheme in November 2023 the Business Investment Team undertook a financial modelling exercise which assisted in determining the level at which the administration fee and management fee should be set ensuring that the total revenue costs of the scheme could be covered. This exercise determined that a figure of 10% would be appropriate, and this is applied and paid by each approved loan recipient.

- 4.3 A further modelling exercise was undertaken whereby the Business Investment Team ran a variety of loan values, through a loan template calculator, using various interest rates to ensure that the application of a 10% administration fee, paid by each approved loan recipient, was not prohibitive as the loan offer is set at 0% interest. This exercise concluded that a 10% administration fee would not be cost prohibitive due to the current rate of interest set by the Bank of England Monetary Policy Committee (MPC).
- 4.4 The application of both the management fee and administration fee continues to ensure that the administration of the KMBF/RGF Investments and future KMBF loan schemes remain self-funding and operate on a cost-neutral basis to KCC.
- 4.5 The loan value cap at £750,000 ensures full compliance with a Minimal Financial Assistance (MFA) scheme under the Subsidy Control Act 2025.

5. Legal implications

- 5.1 The approval from DLUHC allows KCC to continue to manage the recycled KMBF/RGF Investments and to provide loans to local businesses until March 2032.
- 5.2 The upper loan limit of £750,000 is capped at this figure to ensure compliance with the Subsidy Control Act 2025
- 5.3 Investments will be internally and externally assessed via an impartial third-party appraiser, under contract with KCC, who provide an appraisal report to assist the Investment Advisory Board and Sub-Group in making recommendations to Senior Officers, in line with the office Scheme of Delegation. Such recommendations will include specific loan conditions to mitigate any default and/or loss to the KMBF/RGF recycled funds, by way of the attachment of security.
- 5.4 Such investments will be recommended by the Investment Advisory Board and Sub-Group and approved by either the Director of Growth and Communities or the Head of Economy in line with the Office Scheme of Delegation.

6. Equalities implications

- 6.1 An equality Impact Assessment EqIA is appended to this report. The assessment indicates that there are no negative impacts. The fund is open to all businesses across Kent and Medway and is designed to be easy to access through clear information and multiple referral routes. Materials and events are inclusive and accessible, with alternative formats, reasonable adjustments and accessible online content available. Funding decisions are based only on the strength of the business case and financial viability, in line with equality duties.

7. Data Protection Implications

- 7.1 A DPIA assessment determined that a full DPIA was required to be completed and this has been actioned, approved and is monitored in line with the advice provided. An existing privacy notice covers the operation of the KMBF and has

been reviewed as part of the Business Investment Teams cyclical review of its process maps and guides; and it has been determined that no new data protection issues will arise from the proposed processing of new loan applications at a higher value.

8. Governance

- 8.1 The Decisions on individual loans and equity investments are delegated to the Director of Growth & Communities or the Head of Economy, following recommendations from the Investment Advisory Board (IAB), its Sub-Group, and independent external appraisal.
- 8.2 This decision does not introduce new delegations; it confirms the continuation of the current governance and administrative arrangements, which ensure compliance with DLUHC/MHCLG approval and the Subsidy Control Act.

9. Conclusions

- 9.1 To continue to offer finance to businesses located in Kent & Medway, via loan investments with the objectives of supporting growth, increase productivity, and create /protect jobs.

Recommendation(s):

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10. Appendices

- 26 00010- Proposed Record of Decision (PRoD)
- 26 00010- EqIA

Contact details

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