

By: Jacqui Ward – Regional Growth Fund Programme Manager

To: Scrutiny Committee – 5 December 2014

Subject: Call-in of Decision 14/00133 – Approval of Equity Investment from TIGER Fund

Summary: This report provides responses to the questions raised by Members via the call-in.

1. Introduction

- 1.1 The Scrutiny Covering report introduces the topic and outlines the scope of the Call-in – see main agenda pack.
- 1.2 This report prefaces a supplementary information pack that includes the Register of Interests for the North Kent Advisory Panel and the Panel's Terms of Reference (Exempt Appendices 1 & 2). Additionally, an updated report from the independent assessor has been provided as part of the further due diligence process (Exempt Appendix 3).
- 1.3 This additional documentation should better explain the process and governance for the TIGER fund, evidencing their correct and proper nature.

2. Responses to Call-in questions:

- 2.1 The influence of the TIGER panel and links with applicants
 - a) As part of the governance arrangements fully agreed by Cabinet previously for the Expansion East Kent Programme in May 2012 the Tiger programme replicates those arrangements. The approval for members of the group are itemised within the Terms of the Reference - see attached
 - b) The nominations for the panel were generated by partners and final selection were approved by both the Tiger Strategic Board and the Tiger Partner Group.
 - c) Panel members are requested to declare any interest in relation to the agenda items at the start of all meetings. There is a record held within the minutes of any declaration of interest from members of the panel and additionally a summary document is compiled as recommended by KCC Internal Audit – see attached.

2.2 The degree to which KCC has commissioned external opinions from qualified consultants and how many consultants or other independent agencies scrutinise the applicants to advise the Panel?

- a) The level of further due diligence undertaken separate to the mandatory independent assessment carried out by PwC and the commissioning of additional external opinions from qualified consultants is at the direction of the Tiger Approval Panel. The degree to which KCC have commissioned any external opinions has varied. It is important to note the external opinion/ advice is always an additional cost to KCC as the Regional Growth Fund funded by the Department of Business, Innovation and Skills does not allow for infrastructure costs to be recovered.
- b) The Tiger Approval Panel have requested additional consultants or sector specific opinions previously from a variety of experts in the field of IT, Renewable Energy and Life Sciences.

2.3 The degree to which the queries raised by those consultants have been answered.

- a) Often the queries raised are partially addressed and by the nature of the scope of any due diligence report there are remaining issues but these will then be itemised as conditions or warranties of assurance within the contract. The funding documents have clauses written in the contract on drawback of funding if the condition or the achievement cannot be met and evidenced. The same applies to the warranties within a shareholder agreement.

2.4 The Panel respond appropriately to the risks / concerns highlighted by the independent assessors?

- a) The nature of the programme is to provide funding to companies who are often seen as a risk by the banks. PwC are a financial body and are by nature of the sector risk adverse and the rag ratings are often on the cautious side. The PwC reports are circulated to Panel members prior to the meeting and PwC provide a verbal headline summary at the meetings prior to each company presenting. Often the private sector panel members demonstrate to the panel the workings of a business and with their input and the presentation by the companies the issues are, in the main, addressed.

2.5 Is there a governance issue inherent in the different arrangements used for the various methods of dispersing RGF monies?

- a) The involvement of Narec Capital is an additional part of the due diligence process and this mirrors the current proposed governance for EEK.
- b) It is important to note Narec Capital will as part of the EEK Equity Investment Fund become the 'grandfather' for all KCC existing RGF Equity Investments.

2.6 Accuracy of documents

- a) All documentation supplied was accurate at the point it was requested. The due diligence process is ongoing until the point of signing contract documents therefore the updates are provided at the panel meetings and to the accountable person on an ongoing basis.

2.7 Adequacy of documents

- a) While a significant amount of financial, legal and technical information is used in the assessment of potential investment, the documents provided for the Approval Panel's use represent appropriate summaries of all relevant papers, presenting the vital information in an understandable and useful format upon which to base their recommendations.

3. Background Documents

- 3.1 Appendix 1 – TIGER Fund Terms of Reference
- 3.2 Appendix 2 – TIGER Approval Panel Register of Interests
- 3.3 Appendix 3 – Independent Assessor updated report