

From: Mark Dance, Cabinet Member Economic Development
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To: Growth, Economic Development and Communities Cabinet Committee – 15 September 2015

Subject: **RGF Programmes and Framework for Monitoring Report**

- Escalate (West Kent and parts of East Sussex)
- Expansion East Kent (East Kent and Ashford)
- Tiger (North Kent and Thurrock)

Classification: Unrestricted

Past Pathway of Paper: Performance on the RGF programmes is reported regularly to this Cabinet Committee

Future Pathway of Paper: N/A
Electoral Division: County-wide

Summary

Since November 2011 the Department of Business, Innovation and Skills (BIS) has allocated £55 million to KCC for three schemes:

- Expansion East Kent (£35 million)
- Tiger (£14.5 million)
- Escalate (£5.5 million)

These schemes provide funds for companies with investment plans that will lead to job creation. For the majority of the companies the loan finance provided is set at 0% interest with a repayment period between 5 and 7 years. The schemes also have allocated grants and equity investments.

This report provides an update on the allocation of funds to companies in the format previously agreed by the Growth Economic Development and Communities Cabinet Committee.

Recommendation

The Growth, Economic Development and Communities Cabinet Committee is asked to comment and NOTE the progress to date in delivering the three RGF programmes.

1. Update on the three RGF Schemes

1.1 As of 26 June 2015, KCC has committed over £54 million across the three RGF schemes.

- 1.2 In total, over 210 companies have been supported through the RGF schemes and these companies are targeted to create or safeguard over 5,000 jobs and will leverage in £84 million from private sector investment.
- 1.3 The Expansion East Kent Programme was launched in December 2012. As of 30 June 2015 KCC has committed nearly £31 million to 119 companies within the local authority areas of Ashford, Canterbury, Dover, Shepway and Thanet. The programme is no longer open to new applicants.
- 1.4 The Tiger Programme for North Kent and Thurrock was launched in March 2013. As of 30 June 2015 KCC has committed £14,490,000 to 51 companies within Dartford, Gravesham, Medway, Swale and Thurrock. The programme is no longer open to new applicants.
- 1.5 The Escalate Programme for West Kent and parts of East Sussex was launched in December 2013. As of 30 June 2015 KCC has committed £5,510,000 to 40 companies and the programme is no longer accepting any new applications.

2. Summary of Monitoring

- 2.1 As part of the loan agreement each company is obliged to provide quarterly monitoring returns. On receipt of returns the following RAG rating is applied:
- 1) Green Status – full return received and no outstanding issues noted.
 - 2) Amber Status – partial return received and issues noted.
 - 3) Red Status – no return received and non achievement of key milestones i.e. repayment, job outcomes or delay to planned objectives
- 2.2 The following table provides a headline summary for all three RGF programmes for the period of January to March 2015.

Headline Summary

No of companies awarded investment and completed contract stage	No of companies in monitoring reporting cycle	No of reports received	No of companies in Green Risk Status	No of companies in Amber Risk Status	No of companies in Red Risk Status
210	150	128 (86%)	74 (49.5%)	37 (25%)	38 (25.5%)
Combined Loan Values					
£50,988,574.22	£34,969,911.61	£30,440,215.40	£18,019,104.12	£10,271,697.00	£8,167,277.21

Out of the 150 companies within the monitoring reporting cycle 74% (111 companies) fall within green or amber.

Details of Red Risk Status

The table below provides details on 38 companies (25.5%) that have been red rated. The red risk rating falls into three categories as follows:

Breakdown of Red Risk Status	Category A	Category B	Category C
	Non Payment of Debt	Nil Return of Monitoring Form	Significant shortfall on milestones / targets
No of Companies	2 (1.5%)	19 (13%)	17 (11%)
Combined Loan Value	£440,000	£4,039,696.21	£3,687,581.00
Actions to be taken	Formal legal proceedings undertaken	Follow up email	Companies under review

The cumulative total of the companies who have defaulted on the loans is as follows;

	No of Companies	Combined Loan Value	Percentage of overall defrayed funds
Bad Debts previously reported	4	£1,073,000	3.56%
This Quarter's Bad Debt	2	£440,000	
Total Bad Debt	6	£1,513,000	

There are 5 companies who have gone into liquidation and 1 company has advised of voluntary liquidation. KCC Legal and Internal Audit have been advised and are working with the RGF manager in all cases

3. Profile for Repayments of Funds (as at 26th June 2015)

- 3.1 All repayment of loans and returns on Equity Investments will be reinvested into future financial support programmes for businesses and companies.
- 3.2 The table below provides details on the repayment profile due to be repaid by March 2021.

2013/14 (target) actual	2014/15 (target) actual				
(£338,548.00) £338,548.00	(£1,544,734.67) £1,407,145.75				
2015/16 (target)	2016/17	2017/18	2018/19	2019/20	2020/21
£5,730,083.81	£7,459,751.94	£8,096,588.44	£7,117,773.49	£5,561,869.72	£5,997,930.43

4. Delivery of Schemes

Annex 1 provides full details on the monitoring returns of the **Expansion East Kent programme**.

Annex 2 provides full details on the monitoring returns of the **Tiger programme**.

Annex 3 provides full details on the monitoring returns of the **Escalate programme**.

5. Recommendation:

5.1 The Growth, Economic Development and Communities Cabinet Committee is asked to comment and NOTE the progress to date in delivering the three RGF programmes.

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Expansion East Kent Programme

This annex provides full details of the funding awarded to companies within the East Kent and Ashford area from the Expansion East Kent programme.

1. Funding Awarded

The table shows total funding committed, a breakdown per local authority, number of jobs to be created and private sector investment (matched funding).

Expansion East Kent and Small Business Boost Scheme	Funds Awarded £	Private Investment £	No of Companies	No of jobs to be created	Saved posts	Total no of Jobs created/safeguarded posts
Ashford	170,000.00	163,078.00	7	18.86	3	21.86
Canterbury	6,742,345.33	7,424,463.00	28	1,236.15	80.17	1316.32
Dover	12,617,950.00	30,953,248.00	30	675.76	250.11	925.87
Shepway	6,228,468.00	10,101,149.78	25	484.31	126.08	610.39
Thanet	5,232,213.00	8,679,663.00	29	329.17	196.92	526.09
Total	30,990,976.33	57,321,601.78	119	2,744.25	656.28	3400.53
Position as at 26th June 2015						

Total Committed Funding	£30,990,976.33	£57,257,324.78	119	2,744.25	656.28	3400.53
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Within the Expansion East Kent scheme there is an additional programme and the Investment Advisory Board have agreed to ring fence and commit £5 million to the programme as follows:

(a) Equity Investment Fund: £5m

Total Funding Committed £30,990,976.33

2. Defrayment of Funds

Each company applying to the programme will provide a profile for the drawdown of funds. This would be dependent on the needs of the businesses and the companies' plans for growth.

The profile for the defrayment of funds is as follows:-

(a) Funds defrayed as at 26 th June 2015	£22,446,831
(b) Estimated funds July 2015 March 2016	£12,553,169
(c) Total Value of funds	£35,000,000

3. Profile for Repayments of Funds (as at 26th June 2015)

All repayment of loans and returns on Equity Investments will be reinvested into future financial support programmes for businesses and companies.

The table below provides details on the repayment profile due to be repaid by March 2021.

2013/14 (target) actual	2014/15 (target) actual						
(£335,294) £335,294	(£871,196) £810,963						
2015/16 (target)	2016/17	2017/18	2018/19	2019/20	2020/21	Total Repayment	
£2,864,594	£3,815,509	£4,480,191	£3,856,001	£3,052,121	£4,698,847	£23,350,669	

There are two loan repayment periods per financial year i.e. September 2015 and March 2016.

The estimated amount to be received by the end of March 2015 was £1,206,490. The actual amount received as of 30th March 2015 was £1,146,257 which represented an achievement rate of 95%.

The remaining funds (£60,233) for the financial year 2014/15 will continue to be collected through direct negotiation with the individual applicants.

4. Monitoring Returns

The monitoring returns for the Expansion East Kent programme for the period of March 2015 period have resulted in 61% being allocated Green status (performance fully met as per loan agreement) or Amber status (slight slippage but in the main delivery of job outputs as per loan agreement) are as follows:

No of companies awarded investment	No of companies in monitoring reporting cycle	No of reports received	No of companies in Green Risk Status	No of Companies in Amber Risk Status	No of Companies in Red Risk Status
119	74	56 (76%)	26 (35%)	19 (26%)	29 (39%)
Combined Loan Value					
£30,990,976.33	£20,477,205.33	£16,037,509.12	£6,878,743.12	£6,795,266.00	£6,803,196.21

It is important to note there are three categories with the RED status – see table below.

Breakdown of Red Risk Status	Category A Non Payment of Debt	Category B Nil Return of Monitoring Form	Category C Significant shortfall on milestones / targets
No of Companies	1 (1.5%)	18 (24%)	10 (13.5%)
Combined Loan Value	£400,000.00	£4,039,696.21	£2,363,500.00
Actions to be taken	Formal legal proceedings undertaken	Follow up email	Company under review

Bad Debts previously reported in Red Category A:	No of Companies	Combined Loan Value	Percentage of overall defrayed funds
	3	£663,000	
This Quarter's Bad Debt	1	£400,000	
Total Bad Debt	4	£1,063,000	4.73%

The action taken on 29 (39%) companies in Red Status is as follows:

Category A =	1 Company has significant issues i.e. failure to repay loan on time – bad debt.
Action taken:	The company has have advised KCC of voluntary liquidation. Legal advice sourced on the appropriate action to take and costs of actions.
Category B =	18 companies - nil return of monitoring form
Action taken:	All 18 Companies received follow up emails and their outstanding return has been merged with the June 2015 return.
Category C =	10 Companies - Significant delays in the following areas: <ul style="list-style-type: none"> • Job creation significantly behind, loss of staff, and/or not employment contracts not clearly evidenced • Audit Certificate for 13/14 overdue

The monitoring returns for March 2015 have included evidence i.e. employment contracts for the creation of 40.17 jobs and safeguarded of 47.85 The job creation figure is due to rise by a further 242.7 by the end of June 2015. In addition we would also expect to be able to pick up and report on the shortfall in jobs created to date.

Job Status	Target to Date	Actuals to Date	Percentage against target
Jobs Created	940.24	721.65	77%
Jobs Indirect		129	
Jobs Safeguarded	552.61	436.03	79%

Tiger Programme

This annex provides full details of the funding awarded to companies within the North Kent and Thurrock area from the Tiger programme.

1. Funding Awarded

The table shows total funding committed, a breakdown per local authority, number of jobs to be created and private sector investment (matched funding).

Tiger Programme	Funding per Local Authority £ m	Private Investment £ m	No of Companies	No of jobs to be created	Saved Posts	Total number of Jobs
Dartford	1,477,247	1,283,822	9	158.69	56.24	214.93
Gravesham	881,062	843,375	5	44.08	62	106.08
Medway	4,335,489	3,050,659	15	257.6	158.97	416.57
Swale	6,674,505	18,020,958	17	349.36	313.51	662.87
Thurrock	1,121,700	1,501,355.50	5	132.48	18.53	151.01
Total	14,490,003	24,700,169.5	51	942.21	609.25	1551.46
Position as at 26th June 2015						

Total Funding Committed	£14,490,000	£24,700,169.50	51	942.21	609.25	1551.46
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2. Defrayment of Funds

Each company applying to the programme provides a profile for the drawdown of funds. This drawdown would be dependent on the needs of the businesses and the companies' plans for growth.

The profile for the defrayment of funds is as follows:

Funds defrayed as at 26th June 2015	£14,490,00
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3. Profile for Repayments of Funds (as at 26th June 2015)

All repayment of loans and returns on Equity Investments will be reinvested into future financial support programmes for businesses and companies.

The table below provides details on the repayment profile. The total amount to be repaid is £12,665,928 as two companies have been awarded equity investments (£1,424,072).

2013/1 (target) actual	2014/15 (target) actual				
(£3,254) £3,254	(£541,778.67) £471,422.75*	*£70,355.92 variation to contract subject to business needs			
2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
£2,004,185.49	2,505,188.62	2,460,093.12	2,257,179.17	1,853,544.90	1,030,704.03
Total Repayment £12,665,928					

There are two loan repayment periods per financial year i.e. September 2015 and March 2016.

The estimated amount to be received by the end of March 2015 was £545,032.67. The actual amount received as of 30th March 2015 was £474,676.75 which represented an achievement rate of 87%.

The remaining funds (£70,355.92) for the financial year 2014/15 will continue to be collected through direct negotiation with the individual applicants.

4. Monitoring Returns

The monitoring returns for Tiger programme for the period of March 2015 period have resulted in 85% being allocated Green status (performance fully met as per loan agreement) or Amber status (slight slippage but in the main delivery of job outputs as per loan agreement) are as follows:

No of companies awarded investment	No of companies in monitoring reporting cycle	No of reports received	No of companies in Green Risk Status	No of companies in Amber Risk Status	No of companies in Red Risk Status
51	40	40 (100%)	26 (65%)	8 (20%)	6 (15%)
Combined Loan Value					
£14,490,000	11,223,914.00	£11,223,914.00	£8,176,617	£1,694,216	£1,303,081

It is important to note there are three categories with the RED status – see table below.

Breakdown of Red Risk Status	Category A Non Payment of Debt	Category B Nil Return of Monitoring Form	Category C Significant shortfall on milestones / targets
No of Companies	0	0	6 (15%)
Combined Loan Value			£1,303,081
Actions to be taken			Companies under review 4 site visits undertaken with 2 contract variations being prepared 2 site visits scheduled
Bad Debts previously reported in Red Category A:	No of Companies	Combined Loan Value	Percentage of overall defrayed funds
	1	£410,000	3%

The action taken on 6 (15%) companies in Red Status is as follows:

Category A =	0 Companies – advising of voluntary liquidation or administrative receivership
<i>Action taken:</i>	
Category B =	0 Company - nil return of monitoring form
<i>Action taken:</i>	
Category C =	6 companies - significant delays in the following areas: <ul style="list-style-type: none"> Job creation significantly behind, loss of staff, and/or employment contracts not sufficiently evidenced.
<i>Action taken:</i>	Employment contracts have been requested to ascertain terms and conditions eg hours and place of work. Evidence has been supplied or re-advisement of previously recruited vacancies where probationary periods have not been met. Delays in recruitment have been satisfactorily justified, and monitoring of the shortfall will continue.

The monitoring returns for March 2015 have included evidence i.e. employment contracts for the creation of 48.01 jobs and safeguarded of 55.07. The job creation figure is due to rise by a further 101.44 by the end of June 2015.

Job Status	Target to Date	Actuals to Date	Percentage against target
Jobs Created	349.88	266.96	76%
Jobs Safeguarded	609.25	548.40	90%

Escalate

This annex provides full details of the funding awarded to companies within the districts of West Kent and three districts of East Sussex from the Escalate programme.

1. Funding Awarded

The table shows total funding committed, a breakdown per local authority, number of jobs to be created and private sector investment (matched funding).

Escalate Programme	Funding per Local Authority £ m	Private Investment £ m	No of Companies	No of Jobs to be created	Saved Posts	Total number of Jobs
Maidstone	2,720,588.30	3,054,332.00	12	158.61	108.67	267.28
Rother	56,000	56,000	1	7	0	7
Sevenoaks	594,000.00	710,472.00	6	33.6	18.17	51.77
Tonbridge + Malling	763,509.50	762,798.00	8	60.93	19.08	80.01
Tunbridge Wells	1,093,250.00	1,332,250.00	10	146.05	19.46	165.51
Wealden	280,250.00	280,250.00	3	17.27	7	24.27
Total	5,507,597.80**	6,196,102.00	40	423.46	172.38	595.84
Position as at 26th June 2015						

**Hastings Funding total is zero*

***£10,000 uncommitted within Tiger and £2402.20 contribution to marketing*

Total Funding Committed	£5,507,597.80	£6,196,102.00	40	423.46	172.38	595.84
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2. Defrayment of Funds

Each company applying to the programme provides a profile for the drawdown of funds. This drawdown would be dependent on the needs of the businesses and the companies' plans for growth.

The profile for the defrayment of funds is as follows:

Funds defrayed as at 26th June 2015	£5,507,597.80
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3. Profile for Repayments of Funds (as at 26 June 2015)

All repayment of loans and returns on Equity Investments will be reinvested into future financial support programmes for businesses and companies.

The table below provides details on the repayment profile. The total amount to be repaid is £5,217,599.50 as one company has been awarded equity investment.

2014/15 (target) actual					
(£131,760) £124,760					
2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
£861,304.32	£1,139,054.32	£1,156,304.32	£1,004,593.32	£656,203.82	£268,379.40

There are two loan repayment periods per financial year i.e. September 2015 and March 2016.

The estimated amount to be received by the end of March 2015 was £131,760. The actual amount received as of 30th March 2015 was £124,760 which represented an achievement rate of 95%.

The remaining funds (£7,000) for the financial year 2014/15 will continue to be collected through direct negotiation with the individual applicant.

4. Monitoring Returns

The monitoring returns for the Escalate programme for the period of December 2014 period have resulted in 63% being allocated Green status (performance fully met as per loan agreement) or Amber status (slight slippage but in the main delivery of job outputs as per loan agreement) are as follows:

No of companies awarded investment	No of companies in monitoring reporting cycle	No of reports received	No of companies in Green Risk Status	No of Companies in Amber Risk Status	No of Companies in Red Risk Status
40	35	34 (97%)	22 (63%)	10 (29%)	3 (8%)
Combined Loan Value					
£5,507,597.89	£3,268,792.28	£3,228,792.28	£2,963,744.00	£1,782,215.00	£111,000.00

It is important to note there are three categories with the RED status – see table below.

Breakdown of Red Risk Status	Category A Non Payment of Debt	Category B Nil Return of Monitoring Form	Category C Significant shortfall on milestones / targets
No of Companies	1 (2%)	0	2 (6%)
Combined Loan Value	£40,000		£71,000
Actions to be taken	Formal legal proceedings undertaken		Company under review

The action taken on 3 (8%) companies in Red Status is as follows:

Category A =	1 Company has significant issues i.e. failure to repay loan on time – bad debt.
<i>Action taken:</i>	The company have advised KCC of voluntary administration. Legal advice sourced on the appropriate action to take and costs of actions.
Category B =	0 Companies - nil return of monitoring form
<i>Action taken:</i>	
Category C =	2 companies - Significant delays in the following areas: <ul style="list-style-type: none"> • Refurbishment of premises delayed awaiting planning permission being. • 1 company delayed Repayment 1 due to contract variation.
<i>Action taken:</i>	Monitoring report confirms refurbishment works have commenced and there should be no reason during the next monitoring return that delayed milestones and outputs will be realised. Loan repayment has been chased and payment imminent whilst contract variation is being finalised.

The monitoring returns for March 2015 have included evidence i.e. employment contracts for the creation of 48.01 jobs and safeguarded of 55.07. The job creation figure is due to rise by a further 54.1 by the end of June 2015.

Job Status	Target to Date	Actuals to Date	Percentage against target
Jobs Created	126.76	94.27	74%
Jobs Safeguarded	173.20	147.07	85%