

By: Mark Dance, Cabinet Member for Economic Development  
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To: Growth, Economic Development and Communities Cabinet  
Committee – 1 December 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

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## **Background Information**

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.

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## **Recommendation**

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

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### **1. Update on the three RGF Schemes**

As of 31<sup>st</sup> October 2015, KCC has committed over £55 million across the three RGF schemes since April 2012.

In total, over 217 companies have been supported through the RGF schemes managed by Kent County Council. These companies have contract agreements to create 4,162 jobs and will leverage in £90 million from private sector investment. The overall job target is 6,000 jobs to be created or safeguarded.

1.1 The Expansion East Kent Programme was launched in December 2012. As of 31<sup>st</sup> October 2015, KCC has committed over £31 million to 126 companies

within the local authority areas of Ashford, Canterbury, Dover, Shepway and Thanet. The programme was suspended on 1<sup>st</sup> February 2015 and is no longer open to new applicants.

- 1.2 The Tiger Programme for North Kent and Thurrock was launched in March 2013. As of 31<sup>st</sup> October 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.
- 1.3 The Escalate Programme for West Kent and parts of East Sussex was launched in December 2013. As of 30<sup>th</sup> September 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. These returns are in arrears of the previous quarter and 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/or issues re milestones noted.
- 3) Red Status – non 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 April to June 2015. All information has been fully validated and is accurate as at 31<sup>st</sup> October 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
217	185	175 (95%)	101 (55%)	46 (25%)	38 (21%)
<b>Loan Values</b>					
£51,133,297	£42,994,991	£41,298,582	£22,932,766	£8,937,672	£11,074,553

Out of the 185 companies within the monitoring reporting cycle 79% (147 companies) fall within green or amber.

## Details of Red Risk Status

The table below provides details on 38 companies (21%) that have been red rated. The red risk rating falls into three categories as follows:

<b>Breakdown of Red Risk Status</b>	<b>Category A Non Payment of Debt</b>	<b>Category B Nil Return of Monitoring Form</b>	<b>Category C Significant shortfall on milestones / targets</b>
No of Companies	2	11	25
Combined Loan Value	£225,000	£1,646,409	£9,203,144
Actions to be taken	Formal legal proceedings undertaken/Creditors Meeting	Follow up emails	Companies under review

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

<b>Bad Debts previously reported in Red Category A:</b>	<b>No of Companies</b>	<b>Percentage of number of companies supported</b>	<b>Loan Value</b>	<b>Percentage of overall defrayed funds</b>
	6	3%	£1,304,330	(£51,133,297.13)
<b>This Quarter's Bad Debt</b>	2	1%	£225,000	
<b>Total Bad Debt</b>	*8	4%	£1,679,330	3.28%

There are 7 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.

<b>Job Status</b>	<b>Target to Date</b>	<b>Actuals to Date</b>	<b>Percentage against target</b>
<b>Jobs Created</b>	1,723	1,019	59% (Amber)
<b>Jobs Safeguarded</b>	1,459	1,494	102% (Green)

The above table provides progress to date on jobs created and jobs safeguarded across all three programmes. Both Tiger (see annex 2) and Escalate (see annex 3) programmes are reported as green and it is currently the Expansion East Kent Programme job creation figure which is lagging behind. This is due, in the main, to three companies who are approximately 6 months behind in their plans to being fully operational.

### **3. Profile for Repayments of Funds (as at 31<sup>st</sup> October 2015)**

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

The table below provides details on the actual repayments received to date and the loan repayment profile due to be repaid by March 2021.

<b>2013/14 Target and Actual</b>	<b>2014/15 Target and Actual</b>	<b>2015/16 Target and Actual</b>		
Target= £338,548 Actual =£338,548	Target =£1,505,460 Actual =£1,445,701	Sep 15 Target = 2,494,642 Actual =£1,887,125	Mar 15 Target = 3,403,212	
<b>2016/17 Targets</b>	<b>2017/18 Targets</b>	<b>2018/19 Targets</b>	<b>2019/20 Targets</b>	<b>2020/21 Targets</b>
£7,608,078	£8,155,111	£7,314,601	£5,389,946	4,675,281
<b>Total Repayment due by 2021 = £40,884,862</b>				

The total repayment of loans for the period September 2015 is correct as at 31<sup>st</sup> October 2015.

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### **Recommendation**

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

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## **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**.

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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).

<b>Expansion East Kent &amp; Small Business Boost Scheme</b>	<b>Funds Awarded £</b>	<b>Private Investment £</b>	<b>No of Companies</b>	<b>No of jobs to be created</b>	<b>Saved posts</b>	<b>Total no of Jobs created/safeguarded posts</b>
Ashford	210,500	105,578	8	70	25	95
Canterbury	6,850,345	8,738,411	33	1,360	158	1518
Dover	12,562,950	31,301,138	30	664	252	916
Shepway	6,268,468	10,055,899	24	510	149	659
Thanet	5,243,406	8,678,865	31	464	197	661
<b>Total</b>	<b>31,135,669</b>	<b>58,879,891</b>	<b>126</b>	<b>3,068</b>	<b>781</b>	<b>3849</b>
<b>Position as at 31<sup>st</sup> October 2015</b>						

<b>Total Committed Funding</b>	<b>£31,135,699</b>	<b>£58,879,892</b>	<b>126</b>	<b>3,068</b>	<b>781</b>	<b>3851</b>
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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 Committed = £2,225,000

<b>Total Funding Committed = £33,385,699</b>
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**2. Defrayment of Funds**

Each company applying to the programme provides 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 31 <sup>st</sup> October 2015	= £25,888,380}	£35m
(b) Estimated funds October 2015 March 2016	= £9,111,619}	

### 3. Profile for Repayments of Funds (as at 31<sup>st</sup> October 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 and Actual	2014/15 Target and Actual	2015/16 Target and Actual		
Target=£335,294 Actual=£335,294	Target=£849,901 Actual=£820,663	Sep 15 Target=£1,053,179 *Actual=£569,411	Mar 16 Target=£1,790,697	
2016/17 Target	2017/18 Target	2018/19 Target	2019/20 Target	2020/21 Target
£3,982,809	£4,561,189	£4,039,761	£3,017,170	£3,446,960
<b>Total Repayment due by 2021 = £23,076,960</b>				

\*includes September payments received as at 31<sup>st</sup> October 2015

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

The cumulative estimated amount to be received by the end of September 2015 was £2,238,374. The actual amount received as of 31<sup>st</sup> October 2015 was £1,725,368 which represented an over achievement rate of 77%.

The target figure is subject to change, due to contract variations and applicants deciding to repay their loan in full earlier than anticipated, to allow early release of KCC charges.

### 4. Monitoring Returns

The monitoring returns for the Expansion East Kent programme for the period of June 2015 period have resulted in 70% 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
126	98	86 (88%)	40 (41%)	29 (30%)	29 (29%)
<b>Combined Loan Value</b>					
£31,135,699	£24,821,466	£23,175,057	£10,265,793	£4,581,664	£9,974,009

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

<b>Breakdown of Red Risk Status</b>	<b>Category A</b> <b>Non Payment of Debt</b>	<b>Category B</b> <b>Nil Return of Monitoring Form</b>	<b>Category C</b> <b>Significant shortfall on milestones / targets</b>
No of Companies	1 (1%)	11 (11%)	17 (17%)
Combined Loan Value	£150,000	£1,646,409	£8,177,600
Actions to be taken	Formal legal proceedings undertaken	Follow up email	Company under review

<b>Bad Debts previously reported in Red Category A:</b>	<b>No of Companies</b>	<b>Percentage number of companies supported</b>	<b>Loan Value</b>	<b>Percentage of overall defrayed funds</b>
	4	3%	£854,330	
<b>This Quarter's Bad Debt</b>	1	1%	£150,000	
<b>Total Bad Debt</b>	5	4%	£1,004,330	3.88%

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

<b>Category A =</b>	1 Company has significant issues i.e. failure to repay loan on time – bad debt.
Action taken:	The company has have advised KCC of their voluntary administration. Legal advice sourced on the appropriate action to take and costs of actions. To include advice on any third party repaying part of the loan.
<b>Category B =</b>	11 companies - nil return of monitoring form
Action taken:	All 11 Companies have received follow up emails and their outstanding return has been merged with the September 2015 return. Where there are two returns outstanding a site visit will be scheduled.
<b>Category C =</b>	16 Companies - Significant delays in the following areas: <ul style="list-style-type: none"> <li>Job creation significantly behind, loss of staff/poor retention, and/or not employment contracts to sufficiently evidence job creation</li> </ul> 1 Company – following issues: <ul style="list-style-type: none"> <li>concerns with regard to leverage, future draw down and job creation</li> </ul>
Action taken:	All 16 Companies are being closely monitored with regard to achievement of outputs, site visits have been arranged; and contract variation discussions are taking place.

The monitoring returns for June 2015 have included evidence i.e. employment contracts for the creation of 94 jobs and safeguarded of 232. The job creation figure is due to rise by a further 202 (plus a further 133 shortfall for June 2015) by the end of September 2015.

<b>Job Status</b>	<b>Target to Date</b>	<b>Actuals to Date</b>	<b>Percentage against target</b>
<b>Jobs Created</b>	1,137	550	48% (Amber)
<b>Jobs Safeguarded</b>	656	748	114% (Green)

**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).

<b>Tiger Programme</b>	<b>Funding per Local Authority £ m</b>	<b>Private Investment £ m</b>	<b>No of Companies</b>	<b>No of jobs to be created</b>	<b>Saved Posts</b>	<b>Total number of Jobs</b>
Dartford	1,477	1,283,822	9	158.69	56	214
Gravesham	881	843,375	4	44.08	62	106
Medway	4,335	3,040,659	15	257.6	158	416
Swale	6,674	18,020,958	17	349.36	313	662
Thurrock	1,121	1,501,355	6	132.48	18	151
<b>Total</b>	<b>14,488</b>	<b>24,690,169</b>	<b>51</b>	<b>942</b>	<b>607</b>	<b>1549</b>
<b>Position as at 31<sup>st</sup> October 2015</b>						

<b>Total Funding Committed</b>	<b>£14,488</b>	<b>£24,665,169</b>	<b>51</b>	<b>942</b>	<b>607</b>	<b>1,549</b>
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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:

<b>Funds defrayed as at 31<sup>st</sup> October 2015</b>	<b>= £14,490,00</b>
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### 3. Profile for Repayments of Funds (as at 31<sup>st</sup> October 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 £12,590,303 as two companies have been awarded equity investments (£1,424,072).

2013/14 Target and Actual	2014/15 Target and Actual	2015/16 Target and Actual		
Target=£3,254 Actual=£3,254	Target=£523,799 *Actual=£493,284	Sep 15 Target=£958,750 **Actual=£869,930	Mar 16 Target=£1,151,972	*£35,515 variation to contract subject to business needs

2016/17 Target	2017/18 Target	2018/19 Target	2019/20 Target	2020/21 Target
2,439,955	2,400,358	2,262,437	1,822,965	1,026,832
<b>Total Repayment due by 2021 = £12,590,303</b>				

\*\*includes September payments received as at 31<sup>st</sup> October 2015

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

The cumulative estimated amount to be received by the end of September 2015 was £1,485,803. The actual amount received as of 31<sup>st</sup> October 2015 was £1,366,468 which represented an over achievement rate of 92%.

The target figure is subject to change, due to contract variations and applicants deciding to repay their loan in full earlier than anticipated, to allow early release of KCC charges.

### 4. Monitoring Returns

The monitoring returns for Tiger programme for the period of June 2015 period have resulted in 90% 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	48	48 (100%)	31 (65%)	12 (25%)	5 (10%)
<b>Combined Loan Value</b>					
£14,490,000	£12,655,928	£12,655,928	£8,690,966	£3,136,008	£828,954

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

<b>Breakdown of Red Risk Status</b>	<b>Category A Non Payment of Debt</b>	<b>Category B Nil Return of Monitoring Form</b>	<b>Category C Significant shortfall on milestones / targets</b>
No of Companies	1 (2%)	0	4 (8%)
Combined Loan Value	£75,000		£753,954
Actions to be taken	Creditors Meeting attended		Companies under review

<b>Bad Debts previously reported in Red Category A:</b>	<b>No of Companies</b>	<b>Percentage number of companies supported</b>	<b>Loan Value</b>	<b>Percentage of overall defrayed funds</b>
	1	2%	£410,000	3%
<b>This Quarter's Bad Debt</b>	1	2%	£75,000	0.51%
<b>Total Bad Debt</b>	2	4%	£485,000	3.34%

The action taken on 5 (10%) companies in **Red** Status is as follows:

<b>Category A =</b>	1 company – advised of voluntary liquidation or administrative receivership
<i>Action taken:</i>	Meeting of Creditors has been attended. Awaiting further information on appointment of Administrators.
<b>Category B =</b>	0 Companies – not returning their Monitoring Report
<i>Action taken:</i>	
<b>Category C =</b>	4 companies - Significant delays in the following areas:- (a) 1 company's refurbishment is now well advanced following a slow start. (b) 1 company was slow to repay their March payment, and/or submit evidence to accompany monitoring return. (c) 1 company recruitment retention rate is poor, and in addition their safeguarded number has also dropped. (d) 1 company loan repayment was overdue and recruitment makes slow progress against contractual timelines.
<i>Action taken:</i>	(a) Refurbishment is complete, so recruitment should be seen in next quarter's return. In addition the company has complied with all monitoring returns and annual audit certificate. (b) Company site visit has been undertaken, which included their main investor and KCC confident that business plan detailed will be met. (c) Site visit to be arranged. (d) Site visit undertaken, contract variation now complete. Company currently under close supervision.

The monitoring returns for June 2015 have included evidence i.e. employment contracts for the creation of 70 jobs and safeguarded of 50. The job creation figure is due to rise by a further 57 (plus a further 32 shortfall for June 2015) by the end of September 2015.

<b>Job Status</b>	<b>Target to Date</b>	<b>Actuals to Date</b>	<b>Percentage against target</b>
<b>Jobs Created</b>	405	337	83% (Green)
<b>Jobs Safeguarded</b>	630	598	95% (Green)

**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	3,054,332	12	162	109	271
Rother	56,000	56,000	1	7	0	7
Sevenoaks	594,000	710,472	6	30	31	61
Tonbridge + Malling	763,509	762,798	8	58	19	77
Tunbridge Wells	1,093,250	1,332,250	10	162	16	178
Wealden	280,250	280,250	3	18	12	30
<b>Total</b>	<b>**5,507,597</b>	<b>6,196,102</b>	<b>40</b>	<b>437</b>	<b>187</b>	<b>624</b>
<b>Position as at 31<sup>st</sup> October 2015</b>						

*\*Hastings Funding total is zero*

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

<b>Total Funding Committed</b>	<b>£5,507,597</b>	<b>£6,196,102</b>	<b>40</b>	<b>437</b>	<b>187</b>	<b>624</b>
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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:

<b>Funds defrayed as at 31<sup>st</sup> October 2015</b>	<b>= £5,507,597</b>
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**3. Profile for Repayments of Funds (as at 31<sup>st</sup> October 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 as one company has been awarded equity investment (£250,000).

<b>2014/15 Target and Actual</b>	<b>2015/16 Target and Actual</b>			
Target=£131,760 Actual=£131,760	Sep 15 Target=£482,713 *Actual=£447,784	Mar 16 Target=£460,543		
<b>2016/17 Targets</b>	<b>2017/18 Targets</b>	<b>2018/19 Targets</b>	<b>2019/20 Targets</b>	<b>2020/21 Targets</b>
£1,185,314	£1,193,564	£1,012,403	£549,811	£201,489
<b>Total Repayment due by 2021: £5,217,599</b>				

\*includes September payments received as at 31<sup>st</sup> October 2015

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

The cumulative estimated amount to be received by the end of September 2015 was £614,473. The actual amount received as of 31<sup>st</sup> October 2015 was £579,544 which represented an over achievement rate of 94%.

The target figure is subject to change, due to contract variations and applicants deciding to repay their loan in full earlier than anticipated, to allow early release of KCC charges.

#### **4. Monitoring Returns**

The monitoring returns for the Escalate programme for the period to June 2015 period have resulted in 90% 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:

<b>No of companies awarded investment</b>	<b>No of companies in monitoring reporting cycle</b>	<b>No of reports received</b>	<b>No of companies in Green Risk Status</b>	<b>No of Companies in Amber Risk Status</b>	<b>No of Companies in Red Risk Status</b>
40	39	39 (100%)	30 (76%)	5 (13%)	4 (11%)
<b>Combined Loan Value</b>					
£5,507,597	£5, 467,597	£5,467,597	£3,976,007	£1,220,000	£271,590

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	4 (11%)
Combined Loan Value			£271,590
Actions to be taken			Companies under review

Bad Debts previously reported in Red Category A:	No of Companies	Percentage number of companies supported	Loan Value	Percentage of overall defrayed funds
	1	2.5%	£40,000	0.75%

The action taken on 4 (11%) companies in Red Status is as follows:

<b>Category A =</b>	
<i>Action taken:</i>	
<b>Category B =</b>	0 Companies - nil return of monitoring form
<i>Action taken:</i>	
<b>Category C =</b>	4 companies - Significant delays in the following areas:- (a) 1 company had to await a decision on their planning permission from the secretary state. (b) 1 company's refurbishment is now well advanced following a long and protracted planning application. (c) 1 company is in dispute with their landlord, after gaining planning permission and (d) 1 company has not returned their Contract Variation and/or paid their March invoice and have a September invoice also now to pay.
<i>Action taken:</i>	(a) Company has since confirmed that they have been awarded their Planning Permission. (b) Company is now on track, albeit the opening will be delayed as will the recruitment of staff. (c) Company has been provided with a repayment schedule to return the funding within six months as some expenditure has already been incurred. (d) With regard to the non-return of the contract variation, KCC is ascertaining what action can now be taken in light of this; and the non-payment of the March (and possibly September) loan repayments. In addition a pilot is being undertaken to switch willing companies onto a monthly direct debit scheme.

The monitoring returns for June 2015 have included evidence i.e. employment contracts for the creation of 37 jobs and safeguarded of 9. The job creation figure is due to rise by a further 28 (plus a further 17 shortfall for June 2015) by the end of September 2015.

Job Status	Target to Date	Actuals to Date	Percentage against target
<b>Jobs Created</b>	181	132	73% (Green)
<b>Jobs Safeguarded</b>	173	148	85% (Green)