

By: Mark Dance, Cabinet Member Economic Development

To: Growth, Economic Development and Communities Cabinet Committee – 3 March 2016

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

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 of 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 Cabinet Committee is asked to consider and note the report.

1. Update on the three RGF Schemes

As of 2 February 2016, KCC has committed over £55 million across the three RGF schemes since April 2012.

In total, over 228 companies have been supported through the RGF schemes managed by Kent County Council. These companies have contract agreements to create 5,963 jobs and will leverage in £86 million from private and public sector investment. The overall job target is 6,910 jobs to be created or safeguarded. This includes the period of recycling funds.

1.1 The Expansion East Kent Programme was launched in December 2012. As of 28 January 2016, KCC had defrayed over £30.5 million to 137 companies within the local authority areas of Ashford, Canterbury, Dover, Shepway and Thanet. The main programme was suspended on 1 February 2015 and is no

longer open to new applicants. The Small Business Boost programme was closed in January 2016.

- 1.2 The Tiger Programme for North Kent and Thurrock was launched in March 2013. As of 2 February 2016, 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 2 February 2016, 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 of targets and actuals achieved for all three RGF programmes for the period of July to September 2015. All information has been fully validated and is accurate as at 2 February 2016.

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
228	198	179 (91%)	114 (56%)	40 (20%)	44 (24%)
Loan Values					
£51,400,316	£42,208,347	£45,609,593	£22,777,309	£12,662,943	£11,271,362

Out of the 202 companies within the monitoring reporting cycle 78% (154 companies) fall within green or amber.

Details of Red Risk Status

The table below provides details on 44 companies (24%) that have been red rated. The red risk rating falls into three categories as follows:

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	19	25
Combined Loan Value		£2,066,350	£9,203,144
Actions to be taken		Follow up emails	Companies under review

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

Bad Debts previously reported in Red Category A:	No of Companies	Percentage of number of companies supported	Loan Value	Percentage of overall defrayed funds
	8	3.5%	£1,529,330	(£49,650,316)
This Quarter's Bad Debt	0	0		
Total Bad Debt	8	3.5%	£1,529,330	3.08%

There are 8 companies who have gone into liquidation. KCC Legal and Internal Audit have been advised and are working with the RGF manager in all cases.

The monitoring returns for September 215 have included evidence, (employment contracts) for the creation of 1,240 jobs and safeguarded of 1,441.

Job Status	Target to Date	Actuals to Date	Percentage against target
Jobs Created	1,994	1,240	62% (Amber)
Jobs Safeguarded	1,457	1,441	99% (Green)

3. Profile for Repayments of Funds (as at 2 February 2016)

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.

2013/14 Target and Actual	2014/15 Target and Actual	2015/16 Target and Actual		
Target= £338,548 Actual =£338,548	Target =£1,454,107 Actual =£1,445,707	Sep 15 Target =£2,812,374 Actual =£2,580,947	Mar 15 Target =£3,329,890 Actual =£4,662	
2016/17 Targets	2017/18 Targets	2018/19 Targets	2019/20 Targets	2020/21 Targets
£7,951,322	£8,170,485	£7,403,653	£5,446,963	4,092,494
Total Repayment due by 2021 = £40,999,862				

The total repayment of loans for the period September 2015 is correct as at 2 February 2016.

4. Recommendation:

The Cabinet Committee is asked to consider and note the report

5. 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).

Expansion East Kent & 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	275,500	160,828	10	136	161	297
Canterbury	6,932,345	8,766,441	36	1377	162	1539
Dover	12,562,950	27,590,512	30	696	252	948
Shepway	6,243,468	10,070,899	25	526	150	676
Thanet	5,388,456	8,737,831	36	492	199	691
Total	31,402,719	55,326,511	137	3227	924	4151
Position as at 28th January 2016						

Total Committed Funding	£31,402,719	£55,326,512	137*	3,227	924	4,151
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*one company has received two loans

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 to business = £4,375,000
- (b) Fees associated with the equity investment = £369,114.26
- (c) Remaining balance of fund = £255,885.74

Total Funding Committed = £36,027,719
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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 28th January 2016 = £30,516,834
 - (b) Estimated funds March 2016 = £4,483,166
- £35m

3. Profile for Repayments of Funds (as at 28 January 2016)

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=£829,063 Actual=£820,663	Sep 15 Target=£1,426,405 Actual=£1,229,479	Mar 16 Target=£1,771,810 Actual=£4,662*		
2016/17 Target	2017/18 Target	2018/19 Target	2019/20 Target	2020/21 Target	
£4,441,511	£4,556,426	£4,017,882	£2,953,629	£2,859,938	
Total Repayment due by 2021 = £23,191,960					

*A few companies are supporting our monthly direct debit pilot scheme as an alternative to the two annual loan repayments. The figure of £4,662 relates to the January and February direct debits received

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 £2,590,762. The actual amount received as of 28 January 2016 was £2,390,098 which represented an achievement rate of 92%. Please note that one applicant repaid their loan early to release the security KCC held over some of its assets.

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 (Q2 July to September 2015)

The monitoring returns for the Expansion East Kent programme for the period of September 2015 period have resulted in 66% 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
137	112	93 (83%)	53 (47.5%)	24 (21.5%)	35 (31%)
Combined Loan Value					
£31,402,719	£29,627,419	£27,561,069	£12,164,086	£7,135,053	£9,323,950

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	19 (17%)	16 (14%)
Combined Loan Value	0	£2,066,350	£7,257,600
Actions to be taken		Follow up email	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
	5	3.64%	£1,004,330	
This Quarter's Bad Debt	0	0	0	
Total Bad Debt	5		£1,004,330	3.38%

The action taken on 35 (31%) companies in Red Status is as follows:-

Category A =	
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.
Category B =	19 companies - nil return of monitoring form
Action taken:	All 19 Companies have received follow up emails and their outstanding return has been merged with the December 2015 return (which will now include January 2016). Where there are two returns outstanding a site visit will be scheduled.
Category C =	16 Companies - Significant delays in the following areas: 8 companies: <ul style="list-style-type: none"> job creation significantly behind, loss of staff/poor retention, and/or no employment contracts to sufficiently evidence job creation 2 companies: <ul style="list-style-type: none"> currently negotiating a contract variation

	4 companies: <ul style="list-style-type: none"> currently at risk 2 companies: <ul style="list-style-type: none"> In discussions to repay loan in full and/or balance of loan
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. Contract negotiations are progressing. Those companies at risk are being closely monitored.

The monitoring returns for September 2015 have included evidence i.e. employment contracts for the creation of 122.73 jobs and safeguarded of 75.25. The job creation figure is due to rise by a further 161 (plus a further 133 shortfall for June 2015) by the end of December 2015.

Job Status	Target to Date	Actuals to Date	Percentage against target
Jobs Created	1336	699	52% (Amber)
Jobs Safeguarded (includes Indirect Jobs)	660	770	117% (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).

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	159	56	215
Gravesham	881,062	843,375	5	44	62	106
Medway	4,335,489	3,040,659	15	258	159	417
Swale	6,674,502	18,020,958	17	349	314	662
Thurrock	1,121,700	1,501,355	5	132	19	151
Total	14,490,000	24,690,169	51	942	610	1551
Position as at 2nd February 2016						

Total Funding Committed	£14,490	£24,690,169	51	942	610	1,551
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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 2 February 2016	= £14,490,000
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3. Profile for Repayments of Funds (as 2 February 2016)

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=£493,284 *Actual=£493,284	Sep 15 Target=£903,256 *Actual=£881,684	Mar 16 Target=£1,087,409	*£21,572.18 variation to contract subject to business needs

2016/17 Target	2017/18 Target	2018/19 Target	2019/20 Target	2020/21 Target
2,325,241	2,424,257	2,377,112	1,945,419	1,031,067
Total Repayment due by 2021 = £12,590,303				

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 £1,399,794. The actual amount received as of 2 February 2016 was £1,378,222 which represented an achievement rate of 98%.

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 (Q2 July to September 2015)

The monitoring returns for Tiger programme for the period of September 2015 period have resulted in 87% 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	47	47 (100%)	31 (66%)	11 (23%)	5 (11%)
Combined Loan Value					
£14,490,000	£12,580,928	£12,580,928	£6,431,966.00	£4,683,140	£1,465,822

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	5
Combined Loan Value			£1,465,822
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
	2	4%	£485,000	3.34%
This Quarter's Bad Debt	0	0	0	0
Total Bad Debt	2	4%	£485,000	3.34%

The action taken on 5 (11%) companies in **Red** Status is as follows:

Category A =	
<i>Action taken:</i>	
Category B =	0 Companies – not returning their Monitoring Report
<i>Action taken:</i>	
Category C =	5 companies - Significant delays in the following areas:- 4 companies: <ul style="list-style-type: none"> job creation significantly behind, loss of staff/poor retention, and/or no employment contracts to sufficiently evidence job creation. 1 company: <ul style="list-style-type: none"> currently negotiating a contract variation.
<i>Action taken:</i>	All 5 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 September 2015 have included evidence i.e. employment contracts for the creation of 30 jobs and safeguarded of -94. The job creation figure is due to rise by a further 56 (plus a further 30 shortfall for June 2015) by the end of December 2015.

Job Status	Target to Date	Actuals to Date	Percentage against target
Jobs Created	448	364	81% (Green)
Jobs Safeguarded	623	503	81% (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	21	51
Tonbridge + Malling	763,509	762,798	8	61	19	80
Tunbridge Wells	1,093,250	1,332,250	10	162	16	178
Wealden	280,250	280,250	3	18	12	30
Total	**5,507,597	6,196,102	40	440	177	617
Position as at 2nd February 2016						

**Hastings Funding total is zero*

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

Total Funding Committed	£5,507,597	£6,196,102	40	440	177	617
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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 2 February 2016	= £5,507,597
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3. Profile for Repayments of Funds (as at 2 February 2016)

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).

2014/15 Target and Actual	2015/16 Target and Actual			
	Sep 15	Mar 16		
Target=£131,760 Actual=£131,760	Target=£482,713 *Actual=£469,784	Target=£470,671		
2016/17 Targets	2017/18 Targets	2018/19 Targets	2019/20 Targets	2020/21 Targets
£1,184,570	£1,189,802	£1,008,659	£547,915	£201,489
Total Repayment due by 2021: £5,217,599				

*includes September payments received as at 2 February 2016

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 2nd February 2016 was £601,544 which represented an achievement rate of 98%.

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 (Q2 July to September 2015)

The monitoring returns for the Escalate programme for the period to September 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
40	39	39 (100%)	30 (77%)	5 (13%)	4 (10%)
Combined Loan Value					
£5,507,597	£5,467,597	£5,467,597	£4,181,257	£844,750	£481,590

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 (10%)
Combined Loan Value			£481,590
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 (10%) companies in Red Status is as follows:

Category A =	
<i>Action taken:</i>	
Category B =	
<i>Action taken:</i>	
Category C =	4 companies - Significant delays in the following areas:- 1 company: <ul style="list-style-type: none"> job creation/recruitment is delayed due to refurbishment works. 1 company: <ul style="list-style-type: none"> expenditure is slow, but this should be rectified in next quarterly return as their business opened for trading in January 2016 2 companies: <ul style="list-style-type: none"> repayment of loan monies overdue
<i>Action taken:</i>	All 4 companies are being closely monitored with regard to achievement of outputs, site visits have been arranged; and bad debts are with debt recovery.

The monitoring returns for September 2015 have included evidence i.e. employment contracts for the creation of 46 jobs and safeguarded of 12. The job creation figure is due to rise by a further 34 by the end of December 2015 (with no shortfall for June, as an over achievement).

Job Status	Target to Date	Actuals to Date	Percentage against target
Jobs Created	210	176	84% (Green)
Jobs Safeguarded	173	168	97% (Green)