

By: Mark Dance, Cabinet Member for Economic Development

To: Growth, Economic Development and Communities Cabinet Committee
– 19 July 2016

Subject: RGF Programmes and Framework for Monitoring Report

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

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 is provided at 0% interest, with a repayment period of between 5 and 7 years. The schemes have also 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 all RGF Schemes

- 1.1 As of 15 June 2016, KCC has committed £56 million (£55m plus accrued interest and recyclable funds) across the three RGF schemes since April 2012. In total, 250 companies have been supported through the RGF schemes managed by Kent County Council.
- 1.2 These companies have loan agreements to create 5,744 jobs and will leverage in over £84 million from private and public sector investment. The overall job target is 6,910 jobs to be created or safeguarded over the period of recyclable funds. The monitoring returns covering the period October 2015 to January

2016 include evidence of employment contracts for the creation of 1,483 jobs and safeguarded jobs of 1,420.

Job Status	Target to Date	Actuals to Date	Percentage against target
Jobs Created	2,526	1,483	59% (Amber)
Jobs Safeguarded	1,537	1,420	92% (Green)

1.3 The cumulative total of the companies who have defaulted on their 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
				£56,280,327
Total Bad Debt	16	6.40%	£3,244,430	5.73%

2. Detailed Cumulative Summary of Monitoring

2.1 As part of the loan agreement, each company is contracted to provide quarterly monitoring returns. These returns are in arrears of the previous quarter, and upon receipt and internal validation, one of the following RAG ratings is applied:

- Green Risk Status: full return received and no outstanding issues.
- Amber Risk Status: partial return received and/or issues re contracted milestones.
- Red Risk Status: no return received and non-achievement of key milestones; loan repayment, job outcomes and/or delay to planned objectives

2.2 The following table provides a headline summary of actual performance against contractual target for all three RGF programmes for the period of October 2015 to 31 January 2016. All information has been fully validated and is accurate as at 15 June 2016.

No of companies awarded investment and completed contract stage	No of companies in monitoring reporting cycle	No of companies being reported on	No of companies in Green Risk Status	No of companies in Amber Risk Status	No of companies in Red Risk Status
250	218	204	132 (65%)	35 (17%)	37 (18%)
Loan Values					
£56,280,327	£51,593,053	£47,234,620	£32,879,546	£9,948,960	£4,406,114

Out of the 204 companies, within this monitoring reporting cycle, 82% fall within green and amber. This equates to a monetary loan value of £42,828,506.

3. Details of Red Risk Status

3.1 The table below provides details on 37 companies (18%) that have been **RED** risk status. The red risk status falls into three categories as follows:

Breakdown of Red Risk Status 18%	Category A Non Payment of Debt	Category B Nil Return of Monitoring Form	Category C Significant shortfall on milestones / targets
No of Companies	8 (4%)	12 (6%)	17 (8%)
Combined Loan Value	£1,695,100	£676,500	£2,034,514
Actions to be taken	Companies in Administration	Follow up emails and site visits	Companies under review variations of contract offered

3.2 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	3.20%	£1,529,330	£56,280,327
Current Bad Debt	8	3.20%	£1,695,100	
Total Bad Debt	16	6.40%	£3,244,430	5.73%

3.3 KCC Legal and Internal Audit have been advised of the 16 companies which have gone into liquidation and are working with, the RGF manager in all cases.

4. **Profile for Repayments of Funds (as at 15 June 2016)**

4.1 There are two loan repayment periods each financial year i.e. September and March. The cumulative estimated amount to be received by March 2016 was £6,811,848. The actual amount received to date is £6,635,537, which represents an achievement of 97%. The table below provides details of the repayment profile.

2013/14 Target and Actual	2014/15 Target and Actual	2015/16 Target and Actual			TOTAL TO DATE
Target= £338,548 Actual =£338,548	Target =£1,401,607 Actual £1,445,711	Sep 15 Target=£2,568,791 Actual=£2,600,269	Mar 16 Target=£2,502,902 Actual=£2,250,829		Target=£6,811,848 Actual=£6,635,357 97%
2016/17 Targets	2017/18 Targets	2018/19 Targets	2019/20 Targets	2020/21 Targets	
£7,802,950	£8,038,668	£7,396,090	£5,276,283	£4,232,536	
Total Repayment due by 2021 = £39,558,377					

5. Recommendation:

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

6. Delivery of Schemes

- 6.1 Annex 1 provides full details on the monitoring returns of the **Expansion East Kent programme**.
- 6.2 Annex 2 provides full details on the monitoring returns of the **Tiger programme**.
- 6.3 Annex 3 provides full details on the monitoring returns of the **Escalate programme**.

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