

## Expansion East Kent Programme

### Background Information

The Expansion East Kent Programme was launched in December 2012. As at 15<sup>th</sup> June 2016 KCC has committed £36.2m to 159 companies within the local authority areas of Ashford, Canterbury, Dover, Shepway and Thanet. The main programme was suspended on 1<sup>st</sup> February 2015 and is no longer open to new applicants. The Small Business Boost programme was closed January 2016.

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

### 1. Funding Awarded

1.1 The table below shows total funding committed, a breakdown per local authority, the 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	£250,500	115,578	9	25.49	6	31.49
Canterbury	£10,682,935	8,915,084	49	1,261.03	90.53	1,352.56
Dover	£13,110,861	£28,377,539	33	686.79	246.11	932.9
Shepway	£6,243,468	£10,070,900	26	484.72	129.55	614.27
Thanet	£5,994,966	8,906,781	42	405.75	270.28	676.03
<b>Total</b>	<b>£36,282,729</b>	<b>£56,385,882</b>	<b>159</b>	<b>2863.73</b>	<b>742.47</b>	<b>3,606.25</b>

<b>Total Committed Funding</b>	<b>£36,282,729</b>	<b>£56,385,882</b>	<b>159</b>	<b>2,864</b>	<b>742</b>	<b>3,606</b>
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1.2 Within the Expansion East Kent scheme, there is:

(a) an equity programme, whereby the Investment Advisory Board, agreed to ring fence and commit, £5 million. All the funds for equity investments have been committed but some funds still require to be defrayed, see below:

- Committed to businesses = £4,504,589
- Equity Investments fees = £404,589
- Uncommitted = £90,822
- *(Remaining funds to be defrayed to businesses = £1,725,000)*

(b) a small loan scheme, Small Business Boost, whereby the Investment Advisory Board agreed to ring fence £1 million, from the original £35m. All the original allocation for Small Business Boost has been committed and defrayed. An

additional allocation (£602,648), from the accrued interest and recycled loan repayments, as directed by the Investment Advisory Board, has been made available:

- Original allocation, committed and defrayed = £1 million
- Additional allocation, committed to businesses = £602,648
- Remaining funds to be defrayed by 30<sup>th</sup> June 2016 = £30,000

## 2. Defrayment of Funds (to include additional allocation to SBB)

2.1 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 committed and defrayed as at 15 <sup>th</sup> June	= £34,032,318}	£36,282,729
Estimated funds to be defrayed by 30 <sup>th</sup> June 2016	£1,755,000}	

## 3. Profile for Repayments of Funds (as at 15 June 2016)

3.1 All repayment of loans and returns on Equity Investments will be reinvested into future financial support programmes for businesses. The table below provides details on the repayment profile. The total amount to be repaid is £21,831,870. Twelve companies have been awarded equity investments.

3.2 There are two loan repayment periods per financial year i.e. March and September. The cumulative estimated amount to be repaid by March 2016 was £3,308,283. The actual amount received to date is £3,304,327, which represented an achievement of 99.88%. 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.

2013/14 Target and Actual	2014/15 Target and Actual	2015/16 Target and Actual		TOTALS TO DATE
		Sep 15 Target=£1,191,105 Actual=£1,244,954	Mar 16 Target=£1,005,321 Actual=£903,412	
Target=£335,294 Actual=£335,294	Target=£776,563 Actual=£820,663	Target=£1,191,105 Actual=£1,244,954	Target=£1,005,321 Actual=£903,412	<b>Target=£3,308,283</b> <b>Actual=£3,304,327</b> <b>99.88%</b>
2016/17 Target	2017/18 Target	2018/19 Target	2019/20 Target	2020/21 Target
£4,362,138.92	£4,428,090.34	£3,987,318.34	£2,770,043.34	£2,974,395.81
<b>Total Repayment due by 2021 = £21,831,870</b>				

#### 4. Monitoring Returns (Q3 October 2015 to January 2016)

4.1 The monitoring returns for the Expansion East Kent programme for the period October 2015 to January 2016 have resulted in 74% 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) as follows:

No of companies awarded investment	No of companies in monitoring reporting cycle	No of companies reporting on	No of companies in Green Risk Status	No of Companies in Amber Risk Status	No of Companies in Red Risk Status
159* <i>*16 companies have yet to enter the monitoring cycle *2 companies have 2 loans *2 companies have part loan and part equity 5 previous bad debts</i>	134* <i>*includes 5 loans repaid 1 MR cycle complete 8 equity investments</i>	120	73 (61%)	16 (13%)	31 (26%)
<b>Combined Loan Value</b>					
£36,282,729	£33,752,589	£29,394,156	£22,334,617	£4,149,593	£2,909,946.21

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

Breakdown of Red Risk Status <b>25%</b>	Category A Non Payment of Debt	Category B Nil Return of Monitoring Form	Category C Significant shortfall on milestones / targets
No of Companies	6 (5%)	12 (10%)	13 (11%)
Combined Loan Value	£1,615,100	£676,500	£618,346
Actions to be taken	Companies in Administration or ceased trading	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 <b>£36,282,729</b>
	5	3.14%	£1,004,330	7.22%
<b>Current Bad Debt</b>	6	3.77%	£1,615,100	
<b>Total Bad Debt</b>	11	6.91%	2,619,430*	
<i>Total bad debt recovered £128,026 to date*</i>				

The action taken on 31 (26%) companies in RED Status is as follows:-

<b>Category A =</b>	6 companies – bad debt
Action taken:	All 6 companies are in administration - awaiting meeting of the Creditors
<b>Category B =</b>	12 companies - nil return of monitoring form
Action taken:	All 12 Companies have received follow up emails and site visits have been undertaken and or scheduled to be undertaken prior to the June 2016 monitoring process being concluded.

<b>Category C =</b>	<p>13 companies - Significant delays in the following areas:</p> <p>8 companies:</p> <ul style="list-style-type: none"> <li>• Job creation significantly behind, loss of staff/poor retention, and/or no employment contracts to sufficiently evidence job creation</li> </ul> <p>3 companies:</p> <ul style="list-style-type: none"> <li>• Issues with loan repayments being met</li> </ul> <p>1 company:</p> <ul style="list-style-type: none"> <li>• Delays in project delivery, contract variation could be required.</li> </ul> <p>1 company:</p> <ul style="list-style-type: none"> <li>• is currently dormant.</li> </ul>
Action taken:	Discussions and/or site visits have been undertaken and/or are scheduled to ascertain any business issues. Where necessary contract variations have been undertaken or will be.

**4.2** The creating and safeguarding of contractual job targets have been verified from the monitoring returns covering the period October 2015 to January 2016. The evidence gathered includes employment contracts and payroll reports. The full details of jobs created and safeguarded are below:

<b>Job Status</b>	<b>Target to Date</b>	<b>Actuals to Date</b>	<b>Percentage against target</b>
<b>Jobs Created</b>	1697	792	47% (Amber)
<b>Jobs Safeguarded (includes Indirect Jobs)</b>	740	778	105% (Green)