

By: Mark Dance, Cabinet Member Economic Development

To: Economic Development Cabinet Committee – 13 December 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

Summary

- **Job Creation and Jobs Safeguarded:** the figures have increased since the last report due to those jobs that were previously delayed now being achieved.
 - **Monitoring Returns:** Out of the 206 companies being reported on during this period there has been an increase in the number of companies risk rated as Green or Amber.
 - **Outstanding Debt:** Although the total outstanding debt is currently recorded as £3,453,143, equal to 6.13% of overall funds defrayed, it is important to note:
 - £1,313,804 is confirmed as being non recoverable.
 - £345,334 has been recovered/agreed with the administrators.
 - The recovery of the remaining debt (£1,794,005) is being pursued.
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1. Background

- 1.1 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)
- 1.2 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.
- 1.3 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: non return received and non-achievement of key milestones; loan repayment, job outcomes and/or delay to planned objectives

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

2. Update on all RGF Schemes

- 2.1 As at 30th September 2016, KCC had committed £56.3 million (£55m plus accrued interest and recyclable funds) across the three RGF schemes since April 2012.
- 2.2 Since the previous report on the RGF scheme in 19th July 2016, we have noted that the monitoring system used was counting the number of investments and not the number of companies. There were a number of companies which had more than 1 loan, equity investment or convertible loan and the system showed a total of 250 'companies' rather than 'investments'. This error has been rectified and this report correctly shows the number of companies.
- 2.3 242 companies have loan agreements to create 4,097 jobs and will leverage in over £87 million from private and public sector investment. The overall job target is 6,910 jobs to be created or safeguarded. The monitoring returns covering the period July 2016 to September 2016 include evidence of employment contracts for the creation of 2,212 jobs and safeguarded of 1,663.

Job Status	Target to Date	Actuals to Date	Percentage against target
Jobs Created	2,614	2,212	85% (Green)
Jobs Safeguarded	1,518	1,663	110% (Green)

2.4 Additionally within this monitoring period 3 loans to the value of £87,500 have been reported as bad debt. The cumulative total of the companies who have defaulted on their loans is as follows:-

Bad Debts reported in Red Category A:	No of Companies	Percentage of number of companies supported	Loan Value	Percentage of overall defrayed funds
				£56,294,019
Total Bad Debt	21	8.7%	£3,453,143	6.13%

3. Detailed Cumulative Summary of Monitoring

3.1 The following table provides a headline summary of actual performance against contractual target for all three RGF programmes for the period July 2016 to September 2016. Due to several companies moving status since the previous report on the RGF scheme which was brought to EDCC on 19th July 2016, it has resulted in

Green 100, Amber 77 and Red 32 (including all Red Risk categories). There had been a notable reduction in the number of companies Red RAG rated, with a reduction from 37 companies in July 2016 to 32 companies in this report. However, more companies have moved from Green to Amber status, notably because of a slight delay in loan repayments.

Total no of companies	No of companies in monitoring cycle	No of companies in Green Risk Status	No of companies in Amber Risk Status	No of companies in Red Risk Categories B and C Status
242	206*	100 (49%)	77 (37%)	29 (14%)*
Loan Values				
£52,610,142	£43,519,970	£22,429,020	£14,059,050	£7,031,900

* Excludes 3 bad debt companies shown in 4.1

Out of the 206 companies, within this monitoring reporting cycle, 85% (177) fall within green and amber. This equates to a monetary loan value of £36,488,070.

4. Details of Red Risk Status

4.1 The table below provides details on all 32 companies (15%) that have been RED risk status. The red risk status falls into three categories as follows:

Breakdown of Red Risk Status 15%	Category A* Non Payment of Debt	Category B Nil Return of Monitoring Form	Category C Significant shortfall on milestones / targets
No of Companies	3 (1%)*	15 (7%)	14 (7%)
Combined Loan Value	£87,500	£5,850,700	£1,181,200
Actions to be taken	Companies in Administration	Follow up emails and site visits	Companies under review variations of contract offered

* Excluded from figures in 3.1 due to being bad debt.

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

Cumulative Bad Debts	No of Companies	Percentage of number of companies supported	Loan Value	Percentage of overall defrayed funds
Previous Bad Debt	18	7.4%	£3,365,643	£56,294,019
Current Quarter Bad Debt	3	1.2%	£87,500	
Total Bad Debt	21	8.6%	£3,453,143	6.13%

4.3 Of the 21 companies which who have gone into liquidation or in the process of going into administration, KCC Legal are working with the RGF manager to seek to recover the maximum amount of loan value.

5. Profile for Repayments of Funds (as at 30 September 2016)

5.1 There are two loan repayment periods each financial year i.e. September and March. The cumulative target amount to be received by September 2016 was £10,275,097. The actual amount received to date is £9,153,549, which represents an achievement of 89%. The table below provides details of the repayment profile.

2013/14 Target and Actual	2014/15 Target and Actual	2015/16 Target and Actual	2016/17 Sep 16 Target and Actual	TOTAL TO DATE
Target= £338,548 Actual = £338,548	Target = £1,445,707 Actual = £1,445,711	Target= £5,079,626 Actual= £5,030,754	Sep 16 Target= £3,411,216 Actual= £2,338,720	Target=£10,275,097 Actual=£9,153,733 89%
2016/17 Mar 17 Targets	2017/18 Target	2018/19 Target	2019/20 Target	2020/21 Target
Mar 17 £4,475,866	£8,256,744	£7,194,666	£5,311,592	£4,122,768
Total Repayment due by 2021 = £39,636,733				

6. 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

Background Information

The Expansion East Kent Programme was launched in December 2012. As at 30th September 2016 KCC has committed 160 investments totalling £36.2m to 153 companies within the local authority areas of Ashford, Canterbury, Dover, Shepway and Thanet. The main programme was suspended on 1st 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 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	9,714,680	9,025,084	46	1,264.03	88.53	1,352.56
Dover	14,089,115	28,377,539	32	687.79	246.11	933.9
Shepway	6,263,468	10,075,900	25	487.02	129.55	616.57
Thanet	5,976,256	8,901,781	41	415.45	270.28	685.73
Total	£36,294,019	£56,495,882	153	2879.78	740.47	3,620.25

Total Committed Funding	£36,294,019	£56,495,882	153	2,880	740	3,620
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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.
- (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. Total amount defrayed is £1,602,648.

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 30 th September	= £35,220,889}	£36,294,019
Estimated funds remaining to be defrayed	£1,073,130}	

3. Profile for Repayments of Funds (as at 30 September 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 £21,988,819. Sixteen 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 September 2016 was £5,468,790. The actual amount repaid to date is £4,645,705, which represented an achievement of 85%. 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	2016/17 Sep 16 Target and Actual	TOTALS TO DATE
Target=£335,294 Actual=£335,294	Target=£820,663 Actual=£820,667	Target=£2,383,752 Actual=£2,356,714	Sep 16 Target=£1,929,081 Actual=£1,133,030	Target=£5,468,790 Actual=£4,645,705 85%
2016/17 Mar 17 Target	2017/18 Target	2018/19 Target	2019/20 Target	2020/21 Target
Mar 17 Target = £2,428,045	£4,622,299	£3,809,095	£2,853,970	£2,806,620
Total Repayment due by 2021 = £21,988,819				

4. Monitoring Returns (July 2016 to September 2016)

4.1 The monitoring returns for the Expansion East Kent programme for the period July 2016 to September 2016 have resulted in 80% 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	No of companies in monitoring cycle	No of companies in Green Risk Status	No of Companies in Amber Risk Status	No of Companies in Red Risk Categories B and C Status
153	125*	50 (40%)	50 (40%)	25 (20%)
Combined Loan Value				

£35,220,889	£26,130,717	£10,230,229	£9,454,588	£6,445,900
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* Figures excludes companies not in the monitoring cycle, which are the companies which have repaid their loans, have completed their monitoring cycle, are bad debt or are reported on as part of an equity portfolio.

It is important to note there are three categories with the **RED** status – see table below, which represents data from the current quarter (July 2016 to September 2016):

Breakdown of Red Risk Status 22%	Category A Non Payment of Debt	Category B Nil Return of Monitoring Form	Category C Significant shortfall on milestones / targets
No of Companies	3 (2%)*	14 (11%)	11 (9%)
Combined Loan Value	£87,500	£5,610,700	£835,200
Actions to be taken	Companies in Administration or ceased trading	Follow up email	Companies under review

* Excluded from figures in 4.1 due to being bad debt.

The action taken on companies in **RED** Status is as follows:-

Category A =	3 companies – bad debt*
Action taken:	Repayment is being sought through legal channels.
Category B =	14 companies - nil return of monitoring form
Action taken:	All 14 Companies have received follow up emails and site visits have been undertaken, scheduled or planned.
Category C =	11 companies - Significant delays in the following areas: 6 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"> Issues with loan repayments being met 2 companies: <ul style="list-style-type: none"> Delays in project delivery, contract variation could be required. 2 companies: <ul style="list-style-type: none"> Currently dormant.
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.

* Excluded from figures in 4.1 due to being bad debt.

This shows the cumulative position of bad debt companies:

Cumulative Bad Debts	No of Companies	Percentage number of companies supported	Loan Value	Percentage of overall committed funds
				£36,294,019
Previously reported	12	7.84%	£2,639,430	7.51%
Current Quarter Bad Debt	3	1.96%	£87,500	
Total Bad Debt	15	9.80%	£2,726,930	

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

Job Status	Target to Date	Actuals to Date	Percentage against target
Jobs Created	1785	1360	76% (Green)
Jobs Safeguarded (includes Indirect Jobs)	740	985	133% (Green)

Tiger Programme

Background Information

The Tiger Programme for North Kent and Thurrock was launched in March 2013. As at 31st March 2015 KCC has committed 51 investments totalling £14,490,000 to 49 companies within Dartford, Gravesham, Medway, Swale and Thurrock. The programme is no longer open to new applicants.

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

1.1 The table shows total funding committed, a breakdown per local authority, the 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 issued	No of jobs to be created	Saved Posts	Total number of Jobs
Dartford	2,009,115	1,451,428	9	144.69	52.24	196.93
Gravesham	881,062	843,375	5	44.08	62	106.08
Medway	3,813,621	2,958,234	14	221.6	168.47	390.07
Swale	6,544,502	16,370,958	16	343.89	286.08	629.97
Thurrock	1,241,700	3,066,356	5	40	41.06	81.06
Total	14,490,000	24,690,351	49	794.26	609.85	1404.11

Total Funding Committed	£14,490,000	£24,690,351	49	794	610	1404
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2. Defrayment of Funds

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 defrayed as of close of programme March 2015	= £14,490,000
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3. Profile for Repayments of Funds (as at 30 September 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 £12,501,266. Two companies were awarded equity investments (£1,424,072).
- 3.2** There are two loan repayment periods per financial year i.e. March and September. The cumulative estimated amount to be repaid by September 2016 was £3,303,869. The actual amount received to date is £3,154,511, which represented an achievement of 95%. 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	2016/17 Sep 16 Target and Actual	TOTALS TO DATE
Target=£3,254 Actual=£3,254	Target=£493,284 Actual=£493,284	Target=£1,875,523 Actual=£1,853,689	Sep 16 Target = £931,808 Actual = £804,284	Target=£3,303,869 Actual=£3,154,511 95%
2016/17 Mar 17 Target	2017/18 Target	2018/19 Target	2019/20 Target	2020/21 Target
Mar 17 Target = £1,357,013	£2,424,225	£2,400,545	£1,902,936	£1,112,678
Total Repayment due by 2021 = £12,501,266				

4. Monitoring Returns (July 2016 to September 2016)

- 4.1** The monitoring returns for the Tiger programme for the period July 2016 to September 2016, have resulted in 93% 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:

Total number of companies	No of companies in monitoring cycle	No of companies in Green Risk Status	No of companies in Amber Risk Status	No of companies in Red Risk Status
49	44 3 bad debts 2 loans repaid	27 (61%)	14 (32%)	3 (7%)
Combined Loan Value				
£14,490,000	£12,251,653	£8,872,657	£2,848,996	£530,000

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

Breakdown of Red Risk Status 7%	Category A Non Payment of Debt	Category B Nil Return of Monitoring Form	Category C Significant shortfall on milestones / targets
No of Companies	0	1	2
Combined Loan Value		£240,000	£290,000
Actions to be taken		Companies under review	Companies under review

The action taken on 3 (7%) companies in **Red** Status is as follows:

Category A =	
<i>Action taken:</i>	
Category B =	1 company: <ul style="list-style-type: none"> Non return of monitoring information
<i>Action taken:</i>	Action being taken to obtain monitoring return.
Category C =	2 companies: <ul style="list-style-type: none"> Significant delays in the areas of recruitment
<i>Action taken:</i>	Both companies are being closely monitored with regard to achievement of outputs, site visits have been arranged and/or scheduled; and contract variation discussions are taking place.

Cumulative Bad Debts	No of Companies	Percentage number of companies supported	Loan Value	Percentage of overall defrayed funds £14,490,000
Previous Bad Debt	3	5.9%	£606,213	4.2%
Current Quarter Bad Debt	0	0%	£0	
Total Bad Debt	3	5.9%	£606,213	

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

Job Status	Target to Date	Actuals to Date	Percentage against target
Jobs Created	518	582	112% (Green)
Jobs Safeguarded	605	531	88% (Green)

Escalate**Background Information**

The Escalate Programme for West Kent and parts of East Sussex was launched in December 2013. As at 31st March 2015 KCC has committed £5,510,000 to 40 companies and the programme is no longer accepting any new applications.

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

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

Escalate Programme	Funding per Local Authority £	Private Investment £	No of Companies	No of Jobs to be created	Saved Posts	Total number of Jobs
Maidstone	2,720,588	3,058,832	12	158.56	108.67	267.23
Rother	136,250	136,250	3	18.27	3	21.27
Sevenoaks	594,000	710,472	6	33.6	18.27	51.87
Tonbridge + Malling	698,510	697,798	7	55.37	18	73.37
Tunbridge Wells	1,158,250	1,397,250	11	151.11	21.26	172.37
Wealden	200,000	200,000	1	6	4	10
Total	**5,507,598	6,200,602	40	422.91	173.2	596.11

**Hastings Funding total is zero*

***£10,000 uncommitted within Tiger and £2,402 contribution to marketing*

Total Funding Committed	£5,507,598	£6,200,602	40	423	173	596
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2. Defrayment of Funds

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 defrayed as of close of programme March 2015	= £5,510,000*
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** Includes £2,402 contribution to marketing*

3. Profile for Repayments of Funds (as at 30 September 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 of the repayment profile. The total amount to be repaid is £5,146,648. One company was awarded equity investment in the sum of £250,000.

3.2 There are two loan repayment periods per financial year i.e. March and September. The cumulative estimated amount to be repaid by September 2016 was £1,502,438. The actual amount repaid to date is £1,353,517, which represented an achievement of 90%. 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.

2014/15 Target and Actual	2015/16 Target and Actual	2016/17 Target and Actual		TOTAL TO DATE
Target=£131,760 Actual=£131,760	Target=£820,351 Actual=£820,351	Sep 16 Target=£550,377 Actual=£401,406	March 17 Target=£690,808	Target=£1,502,488 Actual=£1,353,517 90%
2017/18 Targets	2018/19 Targets	2019/20 Targets	2020/21 Targets	Total Repayment due by 2021: £5,146,648
£1,210,220	£985,026	£554,686	£203,470	

4. Monitoring Returns (July 2016 to September 2016)

4.1 The monitoring returns for the Escalate programme for the period July 2016 to September 2016, have resulted in 97% 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:

Total number of companies	No of companies in monitoring cycle	No of companies in Green Risk Status	No of Companies in Amber Risk Status	No of Companies in Red Risk Status
40* *includes 3 bad debt	37	23 (62%)	13 (35%)	1 (3%)
Combined Loan Value				
£5,507,598	£5,137,600	£3,326,134	£1,755,466	£56,000

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

Breakdown of Red Risk Status 3%	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	1
Combined Loan Value			£56,000
Actions to be taken			Company under review

The action taken on 0 (0%) companies in Red Status is as follows:

Category A =	
<i>Action taken:</i>	
Category B =	
<i>Action taken:</i>	
Category C =	1 company:
	<ul style="list-style-type: none"> • Issues with loan repayments
<i>Action taken:</i>	Currently in discussion with company to reach resolution.

Cumulative Bad Debts	No of Companies	Percentage number of companies supported	Loan Value	Percentage of overall defrayed funds
				£5,507,598
Previous Bad Debt	3	7.5%	£120,000	2.18%
Current Quarter Bad Debt	0	0%	£0	
Total Bad Debt	3	7.5%	£120,000	

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

Job Status	Target to Date	Actuals to Date	Percentage against target
Jobs Created	311	270	87% (Green)
Jobs Safeguarded	173	147	85% (Green)