

By: Mark Dance, Cabinet Member Economic Development

To: Growth, Economic Development and Communities Cabinet Committee – 21 June 2017

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 jobs created figure has increased by 158 to 2,506 since the last report but the safeguarded figure has decreased by 258 to 1,352.
 - **Monitoring Returns:** Out of the 205 companies being reported on during this period, 153 (75%) are rated as Green or Amber.
 - Since the last report, 4 additional companies from the Tiger Scheme have been RAG rated RED.
 - 1 additional company was RAG rated RED in the Expansion East Kent Scheme.
 - **Repayment of Funds:** as of 31 March 2017, £12,699,958 (89%) has been repaid and these funds are being recycled under the new scheme “Kent and Medway Business Fund”.
 - **Outstanding Debt:** The total outstanding debt is currently recorded as £4,746,143, equating to 8.42% of overall funds defrayed:-
 - £591,454 has been recovered/agreed with the administrators.
 - £1,498,729 is confirmed as being non recoverable.
 - £2,655,960 is being pursued.
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1. Background Information

- 1.1 Since November 2011 the Department of Business, Enterprise, Innovation and Skills (BEIS) 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 provided funds for companies with investment plans that will lead to job creation. For the majority of the companies the loan finance was

provided at 0% interest, with a repayment period of between 5 and 7 years. The schemes have also allocated grants and equity investments. These schemes are now closed to applicants.

- 1.3 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.

2. Update on all RGF Schemes

- 2.1 As of 31 March 2018, KCC has committed £56.3 million (£55m plus accrued interest and recyclable funds) across the three RGF schemes since April 2012.
- 2.2 These companies have loan agreements to create 4,097 jobs and will leverage in over £88 million, from private and public sector investment. The overall job target is 6,910 jobs to be created or safeguarded and this includes the period of recyclable funds. The monitoring returns covering the period January 2017 to March 2017 include evidence of employment contracts for the creation of 2,506 jobs and safeguarded of 1,352.

Job Status	Target to Date	Actuals to Date	Percentage against target
Jobs Created	2,902	2,506	86% (Green)
Jobs Safeguarded	1,491	1,352	91% (Green)

- 2.3 Additionally, within this monitoring period, 9 loans to the value of £1,218,000 have been reported as bad debt. 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	Loan Value	Percentage of overall defrayed funds
				£56,383,859
Total Bad Debt	30	12.4%	£4,746,143	8.42%

3. Detailed Cumulative Summary of Monitoring

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

3.2 The following table provides a headline summary of actual performance against contractual target for all three RGF programmes for the period of January 2017 to March 2017. It has resulted in Green 101, Amber 52 and Red 52:-

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
242	205	101 (50%)	52 (25%)	52 (25%)
Loan Values				
£56,383,859	£43,841,411	£23,037,246	£14,459,303	£6,344,862

Out of the 205 companies within this monitoring reporting cycle, 75% (153) fall within green and amber. This equates to a monetary loan value of £37,496,549.

4. Details of Red Risk Status

4.1 The table below provides details on 52 companies (25%) that have been rated as RED risk status. The red risk status falls into three categories as follows:-

Breakdown of Red Risk Status 25%	Category A Non Payment of Debt	Category B Nil Return of Monitoring Form	Category C Significant shortfall on milestones / targets
No of Companies	9*	13 (6%)	39 (19%)
Combined Loan Value	£1,218,000	£1,207,454	£5,137,408
Actions to be taken	Companies in Administration	Follow up emails and site visits	Companies under review variations of contract offered

* Excluded from figures in 3.2 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	21	8.7%	£3,528,143	

Current Quarter Bad Debt	9	3.7%	£1,218,000	£56,383,859
Total Bad Debt	30	12.4%	£4,746,143	8.42%

4.3 Of the 30 companies which have gone into liquidation or in the process of going into administration, KCC Legal and Internal Audit have been advised and are working with the RGF Manager to recover the maximum amount of loan value.

5. Profile for Repayments of Funds (as at 31 March 2017)

5.1 There are two loan repayment periods within each financial year i.e. September and March. The cumulative estimated amount to be received by March 2017 was £14,202,735. The actual amount received to date is £12,699,958, 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 Target and Actual	TOTAL TO DATE
Target= £338,548 Actual = £338,548	Target = £1,445,707 Actual = £1,445,711	Target= £5,064,034 Actual= £5,011,274	Target= £7,354,446 Actual= £5,904,425	Target=£14,202,735 Actual=£12,699,958 89%
2017/18 Target	2018/19 Target	2019/20 Target	2020/21 Target	Total Repayment due by 2021
£8,123,321	£7,458,929	£5,283,767	£4,494,879	£39,563,631

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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Expansion East Kent Programme

Background Information

The Expansion East Kent Programme was launched in December 2012. As at 30 September 2016, KCC had 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 1 February 2015 and is no longer open to new applicants. The Small Business Boost programme was closed in 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	6	31
Canterbury	8,714,680	9,181,719	44	1,264	89	1,353
Dover	15,131,357	28,377,539	34	688	246	934
Shepway	6,263,468	10,075,900	25	487	130	617
Thanet	6,026,256	8,901,781	41	415	270	685
Total	£36,386,261	£56,652,517	153	2,879	741	3,620

Total Committed Funding	£36,386,261	£56,652,517	153	2,879	741	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 Small Business Boost)

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 September 2016	= £35,639,070}	£36,294,019
Estimated funds remaining to be defrayed	£654,949}	

3. Profile for Repayments of Funds (as at 31 March 2017)

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 £21,992,317. 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 March 2017 was £7,822,820. The actual amount received to date is £6,672,092, 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 Target and Actual	TOTALS TO DATE
Target=£335,294 Actual=£335,294	Target=£820,663 Actual=£820,667	Target=£2,368,160 Actual=£2,331,152	Target=£4,298,703 Actual=£3,184,979	Target=£7,822,820 Actual=£6,672,092 85%
2017/18 Target	2018/19 Target	2019/20 Target	2020/21 Target	Total Repayment due by 2021
£4,503,208	£3,855,348	£2,886,637	£2,924,304	£21,992,317

4. Monitoring Returns (January 2017 to March 2017)

4.1 The monitoring returns for the Expansion East Kent programme for the period January 2017 to March 2017 have resulted in 69% 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 reporting on	No of companies in Green Risk Status	No of Companies in Amber Risk Status	No of Companies in Red Risk Status
153	128*	60 (47%)	28 (22%)	40 (31%)
Combined Loan Value				
£36,386,261	£27,063,160	£12,914,162	£9,849,798	£4,299,200

* Figures exclude 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 (January 2017 to March 2017):

Breakdown of Red Risk Status 31%	Category A Non Payment of Debt	Category B Nil Return of Monitoring Form	Category C Significant shortfall on milestones / targets
No of Companies	5*	11	29
Combined Loan Value	£432,000	£818,500	£3,480,700
Actions to be taken	Companies in administration	Follow up email	Companies under review

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

Category A =	5 companies – bad debt*
Action taken:	Companies in administration
Category B =	11 companies - nil return of monitoring form
Action taken:	All 11 Companies have received follow up emails and site visits have been undertaken, scheduled or planned.

Category C =	29 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 11 companies: <ul style="list-style-type: none"> • Issues with loan repayments being met 5 companies: <ul style="list-style-type: none"> • Delays in project delivery, contract variation could be required. 5 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 £36,386,261
Previously reported	15	9.8%	£2,726,930	8.7%
Current Quarter Bad Debt	5	3.3%	£432,000	
Total Bad Debt	20	13.1%	£3,158,930	

4.2 The creating and safeguarding of contractual job targets have been verified from the monitoring returns covering the period January 2017 to March 2017. 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	1,979	1,611	81% (Green)
Jobs Safeguarded (includes Indirect Jobs)	740	677	91% (Green)

Tiger Programme

Background Information

The Tiger Programme for North Kent and Thurrock was launched in March 2013. As at 31 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	145	52	197
Gravesham	881,062	843,375	5	44	62	106
Medway	3,813,621	3,420,834	14	222	168	390
Swale	6,544,502	16,370,958	16	344	254	598
Thurrock	1,241,700	3,066,356	5	40	41	81
Total	14,490,000	25,152,951	49	795	577	1,372

Total Funding Committed	£14,490,000	£25,152,951	49	795	577	1,372
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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 31 March 2017)

- 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 £12,478,414. 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 March 2017 was £4,504,731. The actual amount received to date is £4,289,685, 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 Target and Actual	TOTALS TO DATE
Target=£3,254 Actual=£3,254	Target=£493,284 Actual=£493,284	Target=£1,875,523 Actual=£1,866,023	Target= £2,132,670 Actual = £1,927,124	Target=£4,504,731 Actual=£4,289,685 95%
2017/18 Target	2018/19 Target	2019/20 Target	2020/21 Target	Total Repayment due by 2021
£2,492,999	£2,498,787	£1,703,185	£1,278,712	£12,478,414

4. Monitoring Returns (January 2017 to March 2017)

- 4.1 The monitoring returns for the Tiger programme for the period January 2017 to March 2017, have resulted in 84% 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 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
49	42 5 bad debts 2 loans repaid	42	25 (60%)	10 (24%)	7 (16%)
Combined Loan Value					
£14,490,000	£11,966,653	£11,966,653	£8,107,540	£2,043,291	£1,815,822

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

Breakdown of Red Risk Status 17%	Category A Non Payment of Debt	Category B Nil Return of Monitoring Form	Category C Significant shortfall on milestones / targets
No of Companies	1*	2	5
Combined Loan Value	£195,000	£388,954	£1,426,868
Actions to be taken	Company in administration	Companies under review	Companies under review

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

The action taken on 7 (17%) companies in Red Status is as follows:

Category A =	1 company – bad debt*
<i>Action taken:</i>	Repayment is being sought through legal channels.
Category B =	2 companies: <ul style="list-style-type: none"> • Nil return of monitoring form
<i>Action taken:</i>	Site visits will be arranged.
Category C =	3 companies: <ul style="list-style-type: none"> • Significant delays in the areas of recruitment 2 companies: <ul style="list-style-type: none"> • Issues with loan repayments
<i>Action taken:</i>	All 5 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.

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

Cumulative Bad Debts	No of Companies	Percentage number of companies supported	Loan Value	Percentage of overall defrayed funds £14,490,000
Previous Bad Debt	4	7.8%	£696,213	6.2%
Current Quarter Bad Debt	1	2.0%	£195,000	
Total Bad Debt	5	9.8%	£891,213	

4.2 The creating and safeguarding of contractual job targets have been verified from the monitoring returns covering the period January 2017 to March 2017. 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	588	647	110% (Green)
Jobs Safeguarded	578	523	90% (Green)

Escalate

Background Information

The Escalate Programme for West Kent and parts of East Sussex was launched in December 2013. As at 31 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 31 March 2017)

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 £5,092,900. 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 March 2017 was £1,875,184. The actual amount received to date is £1,738,181, which represented an achievement of 93%. 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=£814,099	Sep 16 Target=£462,977 Actual=£419,204	March 17 Target=£460,096 Actual=£373,118	Target=£1,875,184 Actual=£1,738,181 93%
2017/18 Targets	2018/19 Targets	2019/20 Targets	2020/21 Targets	Total Repayment due by 2021: £5,092,900
£1,127,114	£1,104,794	£693,945	£291,863	

4. Monitoring Returns (January 2017 to March 2017)

4.1 The monitoring returns for the Escalate programme for the period January 2017 to March 2017, have resulted in 86% 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 investments awarded	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
40* *includes 5 bad debt	35	35	16 (46%)	14 (40%)	5 (14%)
Combined Loan Value					
£5,507,598	£4,811,598	£4,811,598	£2,015,544	£2,566,214	£229,840

It is important to note there are three categories with the **RED** status in this current quarter – see table below:-

Breakdown of Red Risk Status 14%	Category A Non Payment of Debt	Category B Nil Return of Monitoring Form	Category C Significant shortfall on milestones / targets
No of Companies	3*	0	5
Combined Loan Value	£591,000		£229,840
Actions to be taken	Companies in administration		Companies under review

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

The action taken on 6 (17%) companies in Red Status in the current quarter is as follows:-

Category A =	3 companies – bad debt*
<i>Action taken:</i>	Repayment is being sought through legal channels.
Category B =	N/A
<i>Action taken:</i>	
Category C =	1 company: <ul style="list-style-type: none"> • Issues with loan repayments 1 company: <ul style="list-style-type: none"> • Behind on job targets 3 companies: <ul style="list-style-type: none"> • Company dormant
<i>Action taken:</i>	Currently in discussion with companies to reach resolution.

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

Cumulative Bad Debts	No of Companies	Percentage number of companies supported	Loan Value	Percentage of overall defrayed funds £5,507,598
Previous Bad Debt	2	5%	£105,000	12.6%
Current Quarter Bad Debt	3	7.5%	£591,000	
Total Bad Debt	5	12.5%	£696,000	

4.2 The creating and safeguarding of contractual job targets have been verified from the monitoring returns covering the period January 2017 to March 2017. 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	335	248	74% (Green)
Jobs Safeguarded	173	152	88% (Green)