

From: Mark Dance, Cabinet Member for Economic Development
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To: Growth, Economic Development and Communities Cabinet Committee
21 November 2017

Subject: RGF Programmes Monitoring Report

Classification: Unrestricted

Summary: This report summarises the results of KCC's monitoring returns of the three Regional Growth Funded programmes for the period 1st April to 30th June 2017.

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

Jobs created has increased by 84 to 2,590 since the last report 22nd March 2017. The number of safeguarded jobs has fallen by 14 to 1,338.

Out of the 190 companies being reported on during the monitoring period, 140 (74%) returns have been flagged as Green or Amber.

£13,121,606 (93%) of previous loans have been repaid and these funds are being recycled under the new scheme "Kent and Medway Business Fund".

In this quarter, £747,600 has been recovered from two companies through legal action.

£3,539,909 (6.3%) is the unrecovered total amount of defrayed funds.

£1,613,728 is non recoverable.

£1,406,234 has been recovered

£1,926,181 is still being pursued.

Recommendation: The Growth, Economic Development and Communities Cabinet Committee is asked to note the report.

1. Background Information

1.1 Since November 2011 the Department for Business, Energy and Industrial Strategy (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 grants, loans and equity investments for companies with investment plans that would 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.

2. Update on all RGF Schemes

- 2.1 As of 31 March 2017, 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 agreements to create 4,616 jobs and will leverage in over £88 million from private sector investment. The overall job target is 6,910 jobs to be created or safeguarded and this includes the period of recyclable funds i.e up to March 2021. This report covers the monitoring period 1 April 2017 to 30 June 2017. All companies are required to complete a monitoring return as part of the loan agreement and must include employment contracts and copies of payroll as evidence for jobs created and safeguarded. The cumulative total of jobs that have been created or safeguarded is 3,928 as of 30 June 2017.

Job Status	Target to Date	Actuals to Date	Percentage against Target
Jobs Created	3,124	2,590	83% (Green)
Jobs Safeguarded	1,491	1,338	90% (Green)

- 2.3 Additionally, within this monitoring period, 1 loan to the value of £200,000 has been reported as bad debt. The cumulative total of the companies who have defaulted on their loans is as follows:-

Bad Debts Previously Reported	No. of Companies	Percentage of No. of Companies Supported	Loan Value	Percentage of Overall Defrayed Funds £56,383,859
Total Bad Debt	31	12.6%	£4,946,143	8.8%
Recovered Debt			£1,406,234	2.5%
Outstanding Bad Debt			£3,539,909	6.3%

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 April 2017 to June 2017. Out of the 190 companies being reported on during the monitoring period, 140 (74%) returns have been flagged as Green or Amber. This equates to a monetary loan value of £32,625,182.

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
247	190	110 (58%)	30 (16%)	50 (26%)
Loan Values				
£56,217,862	£41,110,590	£27,560,294	£5,064,888	£8,485,408

4. Details of Red Risk Status

4.1 The table below provides details on 50 monitoring returns (26%) that have been flagged as **RED** risk status. The red risk status falls into three categories as follows:-

Breakdown of Red Risk Status 26%	Category A Non Payment of Debt	Category B Nil Return of Monitoring Form	Category C Significant Shortfall on Milestones / Targets
No of Companies	1*	10 (5%)	40 (21%)
Combined Loan Value	£200,000	£769,800	£7,715,608
Actions to be taken	Companies in administration	Follow up emails and site visits	Companies under review or variations of contract offered

* Bad debt company not included in number of Red Rag rated companies in 3.2

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 No. of Companies Supported	Loan Value	Loan Recovered	Percentage of Overall Defrayed Funds
Previous Bad Debt	30	12.1%	£4,746,143	£1,351,234	£56,383,859
Current Quarter Bad Debt	1	0.4%	£200,000	£55,000	
Total Bad Debt	31	12.6%	£4,946,143	£1,406,234	6.3%

* Based on unrecovered bad debt

4.3 KCC Internal Audit and Kent Invicta Law have been advised if any of the companies have gone into liquidation or in the process of going into administration. They 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 £14,182,548. The actual amount received to date is £13,121,606, which represents an achievement of 93%. 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= £7,334,259 Actual= £6,326,073	Target=£14,182,548 Actual=£13,121,606 93%
2017/18 Target	2018/19 Target	2019/20 Target	2020/21 Target	Total Repayment due by 2021
£8,122,359	£7,126,328	£5,309,066	£4,576,046	£39,316,347

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**.

7. Recommendation

Recommendation:

The Growth, Economic Development and Communities Cabinet Committee is asked to note the report.

8. Contact details

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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 £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 by way of grants, loans and equity investments, 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 business and the company's plans for growth. The profile for the defrayment of funds is as follows:-

Funds committed and defrayed as at 30 June 2017	= £36,213,820	£36,386,261
Estimated funds remaining to be defrayed	£172,441	

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 £21,738,786. 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 £7,814,620. The actual amount repaid to date is £7,014,788, which represented an achievement of 90%. The target figure is subject to change due to contract variations, applicants repaying their loan in full, earlier than anticipated, to allow early release of KCC charges and companies failing to repay loans.

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=£4,290,503 Actual=£3,527,675	Target=£7,814,620 Actual=£7,014,788 90%
2017/18 Target	2018/19 Target	2019/20 Target	2020/21 Target	Total Repayment due by 2021
£4,524,280	£3,523,976	£2,913,540	£2,962,370	£21,738,786

4. Monitoring Returns (April 2017 to June 2017)

4.1 The monitoring returns for the Expansion East Kent programme for the period April 2017 to June 2017 have resulted in 68% 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
158	114*	61 (54%)	16 (14%)	37 (32%)
Combined Loan Value				
£36,213,820	£24,782,337	£15,595,169	£2,772,468	£6,414,700

* Figures exclude companies not in the monitoring cycle. These companies have repaid their loans, have completed their monitoring obligations, 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 (April 2017 to June 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	0	10	27
Combined Loan Value		£769,800	£5,644,900
Actions to be taken		Follow up email and site visits	Companies under review and/or subject to a contract variation

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

Category A =	N/A
Action taken:	
Category B =	10 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 =	27 companies - significant delays in the following areas:- 11 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. 4 companies: <ul style="list-style-type: none"> Delays in project delivery, contract variation could be required. 1 company: <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.
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This shows the cumulative position of companies not repaying debt: -

Cumulative Bad Debts	No. of Companies	Percentage No. of Companies Supported	Loan Value	Loan Recovered	Percentage of Overall Committed Funds £36,608,019
Previously reported	20	13.1%	£3,158,930	£1,084,338	5.7%*
Current Quarter Bad Debt	0	0%	£0	£0	
Total Bad Debt	20	13.1%	£3,158,930	£1,084,338	

* Based on unrecovered bad debt

4.2 The creating and safeguarding of contractual job targets have been verified from the monitoring returns covering the period April to June 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	2,156	1,700	79% (Green)
Jobs Safeguarded (includes Indirect Jobs)	740	669	70% (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 £14,490,000 to 49 companies within Dartford, Gravesham, Medway, Swale and Thurrock. Two companies were awarded equity investments (£1,424,072). The programme is no longer open to new applicants.

This annex provides summarises the loans made to companies within the North Kent and Thurrock area from the Tiger programme.

1. Funding Awarded

1.1 The table below shows the total funding committed by way of loans and equity investments, a breakdown per local authority, the number of jobs to be created and private sector investment (match funding).

Tiger Programme	Funding per Local Authority £ m	Private Investment £ m	No. of Companies	No. of Jobs Created	Saved Posts	Total No. 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 Every company applying to the programme provided a profile for the drawdown of funds. This drawdown would be dependent on the needs of the business and the company's plans for growth. The profile for the defrayment of funds was 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 £12,478,413.

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 £4,495,743. The actual amount repaid as of 31st March is £4,344,715, which represented 97% of the amount due. The target figure is subject to change owing to contract variations, applicants repaying their loan in full earlier than anticipated to allow early release of KCC charges and companies going into administration where the full value of the loan will not be recovered.

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= £2,123,682 Actual = £1,982,154	Target=£4,495,743 Actual=£4,344,715 97%
2017/18 Target	2018/19 Target	2019/20 Target	2020/21 Target	Total Repayment due by 2021
£2,480,275	£2,491,313	£1,701,580	£1,309,502	£12,478,413

4. Monitoring Returns (April 2017 to June 2017)

4.1 The monitoring returns for the Tiger programme for the period April 2017 to June 2017, have resulted in 88% being flagged 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	41 6 bad debts 2 loans repaid	41	31 (76%)	5 (12%)	5 (12%)
Combined Loan Value					
£14,490,000	£11,766,653	£11,766,653	£9,494,581	£845,204	£1,426,868

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

Breakdown of Red Risk Status 12%	Category A Non Payment of Debt	Category B Nil Return of Monitoring Form	Category C Significant Shortfall on Milestones / Targets
No: of Companies	1*	0	5
Combined loan value	£200,000		£1,426,868
Actions to be taken	Company in administration		Companies under review

* Bad debt company not included in number of Red Rag rated companies in 4.1

The action taken on 5 (12%) 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 =	N/a
<i>Action taken:</i>	
Category C =	4 companies: <ul style="list-style-type: none"> Significant delays in the areas of recruitment. 1 company: <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	Loan Recovered	Percentage of Overall Defrayed Funds £14,490,000
Previous Bad Debt	5	10.2%	£891,213	£107,795	6.4%*
Current Quarter Bad Debt	1	2%	£200,000	£55,000	
Total Bad Debt	6	12.2%	£1,091,213	£162,795	

* Based on unrecovered bad debt

4.2 The creating and safeguarding of contractual job targets have been verified from the monitoring returns covering the period April 2017 to June 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	621	630	101% (Green)
Jobs Safeguarded	578	522	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 below shows total funding committed by way of loans and equity investments, 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 No. 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 business and the company's 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 £5,099,144. One company was awarded an 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 £1,872,184. The actual amount received to date is £1,762,101, which represented an achievement of 94%. The target figure is subject to change due to contract variations, applicants repaying their loan in full, earlier than anticipated, to allow early release of KCC charges and companies going into administration and the full value of the loan will not be recovered.

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=£457,096 Actual=£397,038	Target=£1,872,184 Actual=£1,762,101 94%
2017/18 Targets	2018/19 Targets	2019/20 Targets	2020/21 Targets	Total Repayment due by 2021: £5,099,144
£1,117,804	£1,111,038	£693,945	£304,173	

4. Monitoring Returns (April 2017 to June 2017)

4.1 The monitoring returns for the Escalate programme for the period April 2017 to June 2017, have resulted in 77% being flagged as 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	18 (51%)	9 (26%)	8 (23%)
Combined Loan Value					
£5,507,598	£4,811,598	£4,561,600	£2,470,544	£1,447,216	£643,840

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 23%	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	8
Combined Loan Value			£643,840
Actions to be taken			Companies under review

The action taken on 8 (23%) companies in Red Status in the current quarter is as follows:-

Category A =	N/A
<i>Action taken:</i>	
Category B =	N/A
<i>Action taken:</i>	
Category C =	1 company: <ul style="list-style-type: none"> • Issues with loan repayments. 4 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 No. of Companies Supported	Loan Value	Loan Recovered	Percentage of Overall Defrayed Funds £5,507,598
Previous Bad Debt	5	12.5%	£696,000	£159,100	9.7%
Current Quarter Bad Debt	0	0%	£0	£0	
Total Bad Debt	5	12.5%	£696,000	£159,100	

4.2 The creating and safeguarding of contractual job targets have been verified from the monitoring returns covering the period April 2017 to June 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	347	260	75% (Green)
Jobs Safeguarded	173	147	85% (Green)