

From: Mark Dance, Cabinet Member Economic Development
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To: Growth, Economic Development and Communities Cabinet Committee – 9 May 2018

Subject: Regional Growth Funded Programmes Monitoring Report

Classification: Unrestricted

Summary: This report summarises the results of Kent County Council's monitoring returns of the three Regional Growth Funded programmes for the period 1st October 2017 to 31st December 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 119 to 2,709 since the last report in November 2017 and the safeguarded figure has increased by 11 to 1,349.

Out of the 173 companies being reported on during this period, 123 (71%) are rated as Green or Amber.

£16,400,991 (94%) has been repaid and these funds are being recycled under the new scheme 'Kent and Medway Business Fund'.

£4,363,511 (7.7%) is the unrecovered total amount of defrayed funds.

£1,699,354 is non-recoverable.

£2,664,157 is still being pursued.

£1,572,132 has been recovered.

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 most 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, but the equity investments are outside the scope of this report.

- 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 30 September 2017, KCC has committed £56.3 million (£55m plus accrued interest) 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 6,916 jobs to be created or safeguarded and this includes the period of recyclable funds up to March 2021. This report covers the monitoring period 1 October 2017 to 31 December 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 4,058 as of 31 December 2017.

Job Status	Target to Date	Actuals to Date	Percentage against target
Jobs Created	3,477	2,709	78% (Green)
Jobs Safeguarded	1,492	1,349	90% (Green)

- 2.3 Additionally, within this monitoring period, nine loans to the total value of £989,500 have been reported as bad debt.

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 October 2017 to December 2017. Out of the 173 companies being reported on during the monitoring period, 123 (71%) returns have been flagged as Green or Amber. This equates to a monetary loan value of £28,465,472.

No of companies who received funds	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	173	101 (58%)	22 (13%)	50 (29%)
Loan Values				
£56,383,859	£38,319,255	£23,713,497	£4,751,975	£9,853,783

4. Details of Red Risk Status

4.1 The table below provides details on 59 companies that have been rated as **RED** risk status. The red risk status falls into three categories as follows:

Breakdown of Red Risk Status	Category A Non-Payment of Debt	Category B Nil Return of Monitoring Form	Category C Significant Shortfall on Milestones / Targets
No of Companies	9*	6 (3%)	44 (26%)
Combined Loan Value	£989,500	£620,125	£9,233,658
Actions to be taken	Companies in Administration	Follow up emails and site visits	Companies under review or variations of contract offered

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

4.2 Total overall defrayed funds are £56,383,859. From this, 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	Loan Recovered	
Previous Bad Debt	31	12.8%	£4,946,143	£1,406,233	Total unrecovered bad debt £4,363,511
Current Quarter Bad Debt	9	3.7%	£989,500	£165,899	
Total Bad Debt	38	15.7%	£5,935,643	£1,572,132	Percentage of Overall Defrayed Funds: 7.7%*
Bad debt companies where full recovery achieved	-2	0.8%	£950,000	£950,000	

* 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 are 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 Repayment of Funds

5.1 There are two loan repayment periods within each financial year; September and March. The cumulative estimated amount to be received by September 2017 was £17,494,870. The actual amount receipted to date is £16,400,991, which represents an achievement of 94%. 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	2017/18 September 2017
Target= £338,548 Actual = £338,548	Target = £1,445,707 Actual = £1,445,711	Target= £5,023,426 Actual= £5,017,526	Target= £7,096,914 Actual= £6,467,748	Target=£3,590,275 Actual=£3,131,458
TOTALS TO DATE Target=£17,494,870 Actual=£16,400,991 94%				
2017/18 March 2018	2018/19 Target	2019/20 Target	2020/21 Target	Total Repayment due by 2021
£3,382,685	£6,601,444	£4,954,211	£4,492,803	£36,926,013

5.2 Invoices for March 2018 have been issued and amounts received will be detailed in the next report.

6. Delivery of Schemes

- a. Annex 1 provides full details on the monitoring returns of the Expansion East Kent programme.
- b. Annex 2 provides full details on the monitoring returns of the Tiger programme.
- c. Annex 3 provides full details on the monitoring returns of the Escalate programme.

7. Recommendation

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

8. Contact

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Expansion East Kent Programme**Background Information**

The Expansion East Kent Programme was launched in December 2012. As at 30 September 2017, 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. In addition to this programme, equity investments of £1.7m have been made. All the funds for equity investments have been committed;

(b) four grants totalling £5.7m;

(c) 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. Profile for Repayment of Funds

- 2.1 All repayment of loans will be reinvested into future financial support programmes for businesses. Sixteen companies have been awarded equity investments. The table below provides details on the repayment profile. The amount to be repaid is £21,086,840.
- 2.2 There are two loan repayment periods per financial year; March and September. The cumulative estimated amount to be repaid by September 2017 was £9,847,869. The actual amount repaid to date is £8,944,015, which represented an achievement of 91%. 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.
- 2.3 Invoices for March 2018 have been issued and amount received will be detailed on the next report.

2013/14 Target and Actual	2014/15 Target and Actual	2015/16 Target and Actual	2016/17 Target and Actual	2017/18 September 2017
Target=£335,294 Actual=£335,294	Target=£820,663 Actual=£820,667	Target=£2,337,052 Actual=£2,331,152	Target=£4,173,982 Actual=£3,604,829	Target=£2,180,878 Actual=£1,852,073
TOTALS TO DATE Target=£9,847,869 Actual=£8,944,015 91%				
2017/18 March 2018	2018/19 Target	2019/20 Target	2020/21 Target	Total Repayment due by 2021
£1,711,359	£3,441,742	£2,826,008	£3,259,862	£21,086,840

3. Monitoring Returns (October 2017 to December 2017)

- 3.1 The monitoring returns for the Expansion East Kent programme for the period October 2017 to December 2017 have resulted in 65% 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 who received funds	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

152	102*	57 (56%)	9 (9%)	36 (35%)
Combined Loan Value				
£36,213,820	£22,881,002	£13,594,709	£2,336,468	£6,949,825

* Figures exclude companies not in the monitoring cycle, which are the companies that 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 (October 2017 to December 2017):

Breakdown of Red Risk Status 35%	Category A Non-Payment of Debt	Category B Nil Return of Monitoring Form	Category C Significant shortfall on milestones / targets
No of Companies	5	4	32
Combined Loan Value	£109,500	£511,625	£6,438,200
Actions to be Taken	Companies in administration or no longer trading	Follow up email	Companies under review

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

Category A =	5 companies
Action taken:	Repayment is being sought through legal channels.
Category B =	4 companies - nil return of monitoring form
Action taken:	All 4 companies have received follow up emails and site visits have been undertaken, scheduled or planned.
Category C =	32 companies - significant delays in the following areas: <ul style="list-style-type: none"> • 13 companies: Job creation significantly behind, loss of staff/poor retention, and/or no employment contracts to sufficiently evidence job creation • 16 companies: Issues with loan repayments being met • 2 companies: Delays in project delivery, contract variation could be required. • 1 company: Delays in job creation and issues with loan repayments
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.

This shows the cumulative position of bad debt companies: -

Cumulative Bad Debts	No of Companies	Percentage number of companies supported	Loan Value	Loan recovered	Overall defrayed funds: £36,386,261
Previously Reported	20	13.1%	£3,158,930	£1,084,338	Total unrecovered bad debt £1,135,891
Current Quarter Bad Debt	5	3.3%	£109,500	£51,553	
Bad debt					

companies where full recovery achieved	-2	1.3%	£950,000	£950,000	Percentage of overall committed funds: 5.9%*
Total Bad Debt	23	15.1%	£3,268,430	£1,135,891	

* Based on unrecovered bad debt

3.2 The creating and safeguarding of contractual job targets have been verified from the monitoring returns covering the period October 2017 to December 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	2,433	1,793	74% (Green)
Jobs Safeguarded (includes Indirect Jobs)	740	679	92% (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 below 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 Repayment of Funds

- 3.1 All repayment of loans 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 £11,443,183. 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 2017 was £5,438,067. The actual amount received to date is £5,255,500, which represented an achievement of 97%. 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.
- 3.3 Invoice for March 2018 have been issued and amounts received will be detailed in the next report.

2013/14 Target and Actual	2014/15 Target and Actual	2015/16 Target and Actual	2016/17 Target and Actual	2017/18 September 2017
Target=£3,254 Actual=£3,254	Target=£493,284 Actual=£493,284	Target=£1,866,023 Actual=£1,866,023	Target= £2,105,817 Actual = £2,045,804	Target= £969,689 Actual = £847,135
TOTALS TO DATE Target=£5,438,067 Actual=£5,255,500 97%				
2017/18 March 2018	2018/19 Target	2019/20 Target	2020/21 Target	Total Repayment due by 2021
£1,281,625	£2,260,856	£1,521,602	£941,033	£11,443,183

3 Monitoring Returns (October 2017 to December 2017)

- 4.1 The monitoring returns for the Tiger Programme for the period October 2017 to December 2017, have resulted in 87% 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 who received funds	No of companies reporting on	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	39 8 bad debts 2 loans repaid	39	28 (72%)	6 (15%)	5 (13%)
Combined Loan Value					
£14,490,000	£11,101,653	£11,101,653	£8,341,494	£1,198,291	£1,561,868

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

Breakdown of Red Risk Status	Category A Non-Payment of	Category B Nil Return of	Category C Significant Shortfall on
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23%	Debt	Monitoring Form	Milestones / Targets
No of Companies	2*	0	5
Combined Loan Value	£665,000		£1,561,868
Actions to be Taken	Companies in administration		Companies under review

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

The action taken on 7 companies in **Red** Status is as follows:

Category A =	2 companies – bad debt*
<i>Action taken:</i>	Repayment is being sought through legal channels.
Category B =	N/a
<i>Action taken:</i>	
Category C =	2 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 1 company: <ul style="list-style-type: none"> Issues with loan repayments and delays in recruitment
<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 or 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	Overall Defrayed Funds
Previous Bad Debt	6	12.2%	£1,091,213	£162,795	£14,490,000
Current Quarter Bad Debt	2	4%	£665,000	£81,256	Total unrecovered bad debt: £244,051
Total Bad Debt	8	16.2%	£1,756,213	£244,051	Percentage of Overall Defrayed Funds: 10.4%*

* 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 October 2017 to December 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	675	651	96% (Green)

Jobs Safeguarded	578	522	90% (Green)
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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, 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 Repayment of Funds

3.1 All repayment of loans 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 £4,395,992. 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 2017 was £2,208,935. The actual amount repaid to date is £2,201,477, which represented an achievement of 99.7%. 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	2017/18 September 2017	TOTAL TO DATE
Target=£131,760 Actual=£131,760	Target=£820,351 Actual=£820,351	Target=£817,115 Actual=£817,115	September 17 Target=£439,709 Actual=£432,251	Target=£2,208,935 Actual=£2,201,477 99.7%
2017/18 March 2018	2018/19 Targets	2019/20 Targets	2020/21 Targets	Total Repayment due by 2021: £4,395,992
March 2018 £389,701	£898,847	£606,601	£291,908	

4. Monitoring Returns (October 2017 to December 2017)

4.1 The monitoring returns for the Escalate Programme for the period October 2017 to December 2017, have resulted in 72% 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 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 7 bad debt	32	32	16 (50%)	7 (22%)	9 (28%)
Combined Loan Value					
£5,507,598	£4,336,600	£4,336,600	£1,777,294	£1,217,216	£1,342,090

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	2	2	7
Combined Loan Value	£215,000	£108,500	£1,233,590
Actions to be Taken	Company in administration	Follow up email	Companies under review

The action taken on 11 companies in Red Status in the current quarter is as follows:-

Category A =	2 companies
<i>Action taken:</i>	Companies in administration
Category B =	2 companies
<i>Action taken:</i>	Both companies have received follow up emails and site visits have been undertaken, scheduled or planned.
Category C =	1 company: <ul style="list-style-type: none"> • Issues with loan repayments and behind on job targets 5 companies: <ul style="list-style-type: none"> • Behind on job targets 1 company: <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	Loan Recovered	Overall Defrayed Funds
Previous Bad Debt	5	12.5%	£696,000	£159,100	£5,507,598
Current Quarter Bad Debt	2	5%	£215,000	£33,090	Total unrecovered bad debt: £192,190
Total Bad Debt	7	17.5%	£911,000	£192,190	Percentage of Overall Defrayed Funds: 13.1%

4.2 The creating and safeguarding of contractual job targets have been verified from the monitoring returns covering the period October 2017 to December 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	368	265	72% (Green)
Jobs Safeguarded	173	148	86% (Green)