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To: Growth, Economic Development and Communities Cabinet Committee
- 28 November 2019

Subject: RGF Programmes Monitoring Report

Classification: Unrestricted

Summary: This report summarises the results of KCC's monitoring returns for the period 1 April 2019 to 30 June 2019 from companies that have received loans from the three Regional Growth Fund programmes:

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

The number of jobs created has increased by 39 to 3,082 since the last report to this Cabinet Committee on 26 June 2019, and the safeguarded figure has remained the same (1,356).

Out of the 108 companies being reported on during the April-June 2019 period, 75 (69%) are rated as Green or Amber.

To date, £26,580,926 of loans have been repaid, and these funds are now being recycled through the scheme known as the 'Kent and Medway Business Fund'.

£8,350,926 (14.8% of defrayed funds) remains unrecovered at this time, of which:

- £1,699,354 is non recoverable
- £6,651,572 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 have 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 is provided at 0% interest, with a repayment period of between 5 and 7 years. The schemes have also allocated grants and equity investments; both the grants and equity investments are outside of the scope of this report.

1.3 This report provides an update on the allocation of loans to companies in the format previously agreed by the Growth, Economic Development and Communities Cabinet Committee.

2. Update on lending under the three RGF Schemes

2.1 At the close of the Regional Growth Fund (RGF) programme on 30 September 2017, KCC had committed £56.3 million (£55 million plus accrued interest) across the three RGF schemes since April 2012. The companies that received this funding have agreements to create 4,082 jobs and to leverage in over £88 million from private sector investment.

2.2 This report covers the monitoring on the loans in period 1 April 2019 to 30 June 2019. All companies are required to complete a monitoring return as part of their loan agreements with the County Council 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 4,438 as of 30 June 2019 against a target to the end of June 2019 of 5,485.

Job Status	Target to Date	Actuals to Date	Percentage against target
Jobs Created	4,000	3,082	77% (Green)
Jobs Safeguarded	1,485	1,356	91% (Green)
Total	5,485	4,438	80% (Green)

2.3 Additionally, within this monitoring period (April-June 2019), 1 loan to the total value of £183,000 has 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:
 - Category A – Bad debt
 - Category B - Non-return received
 - Category C - Non-achievement of key milestones, including 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 2019 to June 2019. Out of the 108 companies being reported on during the monitoring period, 75 (69%) returns have been flagged as Green or Amber. This equates to a total loan value of £16,067,929. There were 33 companies monitored during the period that were identified as Red risk in categories B and C.

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 (categories B and C) Status
241	108	60 (55%)	15 (14%)	33 (31%)
Loan Values				
£56,383,859	£24,256,174	£12,777,354	£3,290,575	£8,188,245

4. Details of Red Risk Status

4.1 The table below provides details of all companies that have been rated as Red risk status between April and June 2019. In addition to the 33 detailed in the table above, there is also 1 loan which is identified as bad debt (Red risk category A) within this quarter. 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	1*	7	25
Combined Loan Value	£184,000	£1,224,165	£6,710,569
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 The table below provides details of all Bad Debts and loan defaults (i.e. companies within category A), including those reported in previous quarters:-

Cumulative Bad Debts	No of Companies	Percentage of Number of Companies Supported	Total Loan Value	Loan Recovered	
Bad debt previously reported	52	21.5%	£10,213,349	£1,797,682	Total unrecovered bad debt £8,350,926
Current Quarter Bad Debt (those reported April-June 2019)	1	0.4%	£184,000	£248,741	
Total Bad Debt	53	21.99%	£10,397,349	£2,046,423	Represents % of Overall Defrayed Funds: 14.8%*
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 Invicta Law Ltd 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 Business Investment Team 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 i.e. September and March. The cumulative estimated amount to be received by June 2019 was £31,285,867. The actual amount received to date is £26,650,926, which represents an achievement of 84.9%. The table below provides details of the repayment profile:

2013/14 Target and Actual	2014/15 Target and Actual	2015/16 Target and Actual
Target = £338,548 Actual = £338,548	Target = £1,445,707 Actual = £1,445,711	Target = £5,016,526 Actual = £5,016,526
2016/17 Target and Actual	2017/18 Target and Actual	2018/19 Target and Actual
Target = £6,968,871 Actual = £6,522,854	Target = £6,584,428 Actual = £6,285,350	Target = £6,155,251 Actual = £5,049,689
TOTALS TO DATE Target = £31,285,867 Actual = £26,580,926 84.9%		
2019/20 Target	2020/21 Target	Total Repayment due by 2021 £35,639,973
Target = £5,213,022	Target = £3,107,307	

6. Delivery of Schemes

- 6.1 Annex 1 provides full details on the monitoring returns of the **Expansion East Kent loan programme**.
- 6.2 Annex 2 provides full details on the monitoring returns of the **Tiger loan programme**.
- 6.3 Annex 3 provides full details on the monitoring returns of the **Escalate loan 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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