

## Appendix 2

The eligibility criteria recommended by KMEP for KCC's consideration:

### Duration of GPF loans:

- 1.1 Historically, SELEP offered the opportunity for a three- or five-year loan. Based on experience, most applicants sought a 3-year repayment. This shorter timeframe helps GPF be reinvested into new projects at the earliest opportunity, allowing more benefits to be realised at a faster pace.
- 1.2 KMEP's recommendation to KCC is to consider a 3-year loan option.

### Value of GPF loans:

- 1.3 Up to a maximum of £6.47m of GPF is available to loan in 2025.
- 1.4 KMEP's recommendation to KCC is to seek loan applications seeking a GPF contribution between £300k and £2million. The higher-level means that there should be at least three loans provided, which should spread the economic benefit across the county, but also allow exciting large-scale projects to come forward. The lower threshold should help bring forward a manageable number of applications on which to undertake due diligence and ensure that the loans produce a discernible impact on the local economy.

### Charging of interest:

- 1.5 Historically, GPF funding has operated as a low-interest rate loan. Interest has been charged on GPF loans at two percent below the Public Works Loan Board (PWLB) Fixed Loan Maturity Rate or zero percent – whichever is higher. The exact rate of interest has been determined on the day of the credit agreement was finalised with the successful applicant.
- 1.6 KMEP's recommendation is the continuation of this approach. Charging an interest rate will help to maintain the value of the fund for future reinvestment.

### Late repayments:

- 1.7 Historically, if a project failed to meet the agreed repayment schedule detailed within the credit agreement, interest was charged at the full PWLB interest rate from the point of default on the loan repayment.
- 1.8 KMEP's recommendation is the continuation of this approach.

### Management Fees and Security:

- 1.9 SELEP has not historically charged a management fee or asked for security.

**1.10 Given the current financial challenges faced by KCC and the requirement for new activity to operate on a full cost recovery basis in line with Securing Kent’s Future, KMEP agrees that KCC may wish to charge the applicant a management fee and ask for security. The management fee is necessary to cover:**

- Due diligence
- Credit checks
- Security checks
- Legal fees
- Costs associated with managing the scheme (staff time for administration, monitoring, audit etc.)

The risk of non-repayment sits over the fund. SELEP loans historically did not ask for any form of security, and in a few instances, the applicants were not able to repay the full amount, reducing the total amount available for reinvestment in the future. KMEP agrees that KCC may wish to ask for security to prevent GPF being reduced due to bad debt.

**Strategic Fit criteria:**

1.11 KMEP proposes to KCC that GPF loan application are asked to align with these strategic fit criteria:

| Strategic Fit to Industrial Strategy & Local Sector Strengths   | Ranking            |
|---|--------------------|
| <p><b>Awarded to applications which: -</b></p> <ul style="list-style-type: none"> <li>- <b>Align with the high-growth sectors identified in the Government’s Invest 2035: Industrial Strategy Green Paper, namely:</b> <ul style="list-style-type: none"> <li>○ Advanced manufacturing</li> <li>○ Clean energy industries</li> <li>○ Creative industries</li> <li>○ Defence</li> <li>○ Digital and technologies</li> <li>○ Financial services</li> <li>○ Life sciences</li> <li>○ Professional and business services</li> </ul> </li> <li>- <b>And/or align with Kent &amp; Medway’s sector strengths:</b> <ul style="list-style-type: none"> <li>○ Advanced manufacturing</li> <li>○ Clean energy industries</li> <li>○ Creative industries</li> <li>○ Digital and technologies</li> <li>○ Life sciences</li> <li>○ Professional and business services</li> <li>○ Health</li> <li>○ Tourism &amp; Hospitality</li> <li>○ Retail</li> <li>○ Education</li> <li>○ Construction</li> <li>○ Transport &amp; Logistics</li> <li>○ Agriculture and horticulture</li> </ul> </li> </ul> | <p><b>Pass</b></p> |

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| Preference will be given to applications which conform to both the industrial strategy high growth sectors and Kent & Medway sector strengths.   |             |
| Awarded to applications which: -<br>- Do not align with the Government's eight high growth sectors or Kent & Medway's sector strengths (as listed above)   | <b>Fail</b> |
| <b>Strategic Fit to Kent &amp; Medway Economic Framework</b>   |             |
| Awarded to applications which: -<br>- Demonstrate they deliver against the ambitions of the Kent & Medway Economic Framework (KMEF), namely the project will help to: <ul style="list-style-type: none"> <li>○ enable innovative, creative, and productive businesses.</li> <li>○ widen opportunities and unlock talent.</li> <li>○ secure resilient infrastructure for planned, sustainable growth.</li> <li>○ place economic opportunity at the centre of community wellbeing and prosperity.</li> <li>○ create diverse, distinctive, and vibrant places.</li> </ul> | <b>Pass</b> |
| Awarded to applications which: -<br>- Do not demonstrate they deliver against the ambitions of the KMEF.   | <b>Fail</b> |

### Technical Criteria:

1.12 KMEP proposes to KCC that GPF loan application are asked to align with these technical criteria:

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| <b>Expected benefits</b>  |              |
| Awarded to applications which: <ul style="list-style-type: none"> <li>- demonstrate substantial project outcomes, including delivery of new jobs, learners, houses, and/or commercial floorspace which are expected to outweigh total project costs.</li> <li>- provide robust, well-evidenced analysis of the estimated number of jobs and homes that the scheme is going to support, jobs safeguarded, or skills benefits delivered.</li> </ul>                       | <b>Green</b> |
| Awarded to applications which: <ul style="list-style-type: none"> <li>- demonstrate some project outcomes, including delivery of new jobs, learners, houses, and/or commercial floorspace which are expected to outweigh total project costs.</li> <li>- provide some evidence of the estimated number of jobs and homes that the scheme is going to support, jobs safeguarded or benefits to skills levels, but the analysis is insufficiently transparent.</li> </ul> | <b>Amber</b> |

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| <p><b>Awarded to applications which:</b></p> <ul style="list-style-type: none"> <li>- do not demonstrate project outcomes, including delivery of delivery of new jobs, learners, houses, and/or commercial floorspace, but which are not expected to outweigh total project cost.</li> <li>- do not provide sufficient evidence of how the number of jobs and homes that the scheme is going to support, or skills benefits have been estimated, and there is insufficient evidence to justify assumptions.</li> </ul>  | <b>Red</b>   |
| <b>Pace of benefit realisation</b>  |              |
| <p><b>Awarded to applications which: -</b></p> <ul style="list-style-type: none"> <li>- demonstrate that the benefits of the project will immediately follow project completion.</li> <li>- have low risk of the project benefits not materialising.</li> </ul>   | <b>Green</b> |
| <p><b>Awarded to applications which: -</b></p> <ul style="list-style-type: none"> <li>- have project dependencies identified which may impact on the pace of the project benefits coming forward</li> <li>- have low to medium risk of the benefits not materialising at the pace detailed in the Business Case</li> </ul>  | <b>Amber</b> |
| <p><b>Awarded to applications which: -</b></p> <ul style="list-style-type: none"> <li>- have project dependencies/risks which may impact on the pace of the project benefits coming forward.</li> <li>- have medium to high risk of the benefits not materialising at the pace detailed in the Business Case</li> </ul>   | <b>Red</b>   |
| <b>Need for intervention</b>  |              |
| <p><b>Awarded to applications which:</b></p> <ul style="list-style-type: none"> <li>- strongly demonstrate the need for public sector intervention.</li> </ul> <p><b>Arguments for the ‘need for invention’ may include securing a funding stream that otherwise must be repaid to the Government or would result in previous investments not achieving their full potential. In such cases, evidence should be given that this additional investment adds value to capitalise on schemes which have previously received public investment in order to unlock additional benefits and return on investment.</b></p> | <b>Green</b> |
| <p><b>Awarded to applications which:</b></p> <ul style="list-style-type: none"> <li>- demonstrate the need for public sector intervention.</li> </ul>   | <b>Amber</b> |
| <p><b>Awarded to applications which:</b></p> <ul style="list-style-type: none"> <li>- do not clearly demonstrate the need for public sector intervention.</li> </ul>  | <b>Red</b>   |
| <b>Viability</b>  |              |
| <p><b>Awarded to applications which:</b></p> <ul style="list-style-type: none"> <li>- Fully justify the costs of the project including any assumptions made.</li> </ul>   | <b>Green</b> |

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| <ul style="list-style-type: none"> <li>- identify the timescales over which the GPF is required.</li> <li>- demonstrate that any additional funding sources which are required to deliver the project have been secured.</li> <li>- have match-funding of at least 50%.</li> <li>- explain how the ongoing operational costs will be met.</li> </ul>  |              |
| <p><b>Awarded to applications which:</b></p> <ul style="list-style-type: none"> <li>- justify the costs of the project including any assumptions made.</li> <li>- identify the timescales over which the GPF is required.</li> <li>- identify the additional sources of funding - create some uncertainty as to the availability of other funding sources which are required to deliver the project (e.g. sources of funding have been identified but have not been secured in full)</li> <li>- have identified potential match-funding of at least 20%.</li> <li>- explain how the ongoing operational costs will be met.</li> </ul> | <b>Amber</b> |
| <p><b>Awarded to applications which:</b></p> <ul style="list-style-type: none"> <li>- do not provide sufficient evidence that the project costs have been considered in detail.</li> <li>- do not provide sufficient detail as to how other projects costs will be met.</li> <li>- create uncertainty as to the availability of other funding.</li> <li>- do not identify any match funding.</li> <li>- sources which are required to deliver the project (e.g. funding sources have not been secured in full)</li> </ul>   | <b>Red</b>   |
| <b>Deliverability</b>   |              |
| <p><b>Awarded to applications where:</b></p> <ul style="list-style-type: none"> <li>- evidence is provided that potential delivery constraints and project dependencies (including, but not limited to, land and property acquisition, planning approval and environmental constraints) present a low risk to the project cost and the project delivery timescales.</li> </ul>  | <b>Green</b> |
| <p><b>Awarded to applications where:</b></p> <ul style="list-style-type: none"> <li>- evidence is provided that potential delivery constraints and project dependencies (including, but not limited to, land and property acquisition, planning approval and environmental constraints) present a low to medium risk to the project cost and the project delivery timescales.</li> </ul>  | <b>Amber</b> |
| <p><b>Awarded to applications where:</b></p> <ul style="list-style-type: none"> <li>- evidence is provided that potential delivery constraints and project dependencies (including, but not limited to, land and property acquisition, planning approval and environmental constraints) present a medium to high risk to the project cost and the project delivery timescales.</li> </ul>   | <b>Red</b>   |
| <b>Contribution to the establishment of a revolving fund</b>  |              |
| <p><b>Awarded to applications which:</b></p>  | <b>Green</b> |

|   |              |
|---|--------------|
| <ul style="list-style-type: none"> <li>- <b>Commit to a 3-year loan repayment schedule and no concerns are raised through company credit checks and appropriate due diligence.</b></li> </ul>   |              |
| <p><b>Awarded to applications which:</b></p> <ul style="list-style-type: none"> <li>- <b>Commit to a 3-year loan repayment schedule and no concerns raised through company credit checks and other appropriate due diligence checks but some concerns raised over the certainty of the proposed repayment mechanism.</b></li> </ul> | <b>Amber</b> |
| <p><b>Awarded to applications which:</b></p> <ul style="list-style-type: none"> <li>- <b>Cannot commit to repay the loan in the 3-year schedule or issues have been raised through company credit checks and other appropriate due diligence checks.</b></li> </ul>   | <b>Red</b>   |