

From: Mike Whiting, Cabinet Member for Economic Development

David Smith, Director, Economic Development

To: Growth, Economic Development and Communities Cabinet
Committee, 2 March 2021

Subject: **Marsh Million - Closure of Scheme**

Key decision 20/00013

Classification: **Unrestricted**

Past Pathway of report: N/A

Future Pathway of report: Key Decision

Electoral Division: Ashford Rural East, Ashford Rural South, Hythe West,
Romney Marsh and Tenterden.

Summary: Kent County Council currently manages the Marsh Million scheme and is now seeking to close the scheme and allocate all the recovered loan repayments and uncommitted loan and grant funds to the original co-funders - Magnox/Nuclear Decommissioning Authority (NDA), KCC, Ashford Borough Council and Folkestone & Hythe District Council.

Recommendation(s):

The Cabinet Committee is asked to consider and recommend to the Cabinet Member for Economic Development the proposed decision to delegate the authority to the Director of Economic Development:

1. To enter into the relevant contracts and legal agreements required to implement this decision allowing the return of the recovered loan repayments and uncommitted loan and grant funds related to the Marsh Million scheme to the original co-funders (Magnox/NDA, KCC, Ashford Borough Council and Folkestone & Hythe District Council) on a pro-rata basis calculated on their original contributions.
2. To stand down the existing Marsh Board, the decision-making Board for the scheme.
3. That KCC will continue to act as the managing authority for the recovery of the outstanding loan repayments until such time as these loans are fully recovered or are no longer recoverable.

Proposed Record of Decision is attached as Appendix A

1. Introduction

- 1.1 Kent County Council currently manages the Marsh Million scheme. New funding approvals have not been made under this scheme since 2018. KCC is now seeking to close the scheme and allocate all the uncommitted and recovered

loan funds to the original co-funders (Magnox/NDA, KCC, Ashford Borough Council and Folkestone & Hythe District Council) on a pro-rata basis.

- 1.2 The Marsh Million scheme was established in 2013 as a £1 million economic growth fund for the Romney Marsh. The eligible area was designated parts of Ashford (Parishes of Aldington, Appledore, Bilsington, Bonnington, Kenardington, Newenden, Orlestone, Ruckinge, Stone-Cum-Ebony, Warehorne, Wittersham) and Folkestone & Hythe (Parishes of: Brenzett; Brookland; Burmarsh; Dymchurch; Ivychurch; Lydd, Newchurch; New Romney; Old Romney; Snargate; and St Mary in the Marsh). The scheme was co-funded by the Magnox socio-economic programme, a joint initiative between Magnox and the Nuclear Decommissioning Authority (£500,000), Kent County Council (£400,000), Ashford Borough Council (£50,000) and Folkestone & Hythe District Council (£50,000).
- 1.3 Eligible applicants included businesses, social enterprises, charities, and public bodies. Funding was allocated equally (£500,000 grants and £500,000 loans) between two sub-programmes.
 - Marsh Million Economic Projects Scheme (EPS) which offered grants ranging between £10,000-£100,000 for projects seeking to help start-ups, small businesses, and social enterprises in the Romney Marsh area to grow and diversify. Examples of such projects included training provision, environmental improvements (with an economic benefit) and tourism.
 - Marsh Business Boost which offered 0% interest loans of up to £50,000 to help start-ups, small businesses and social enterprises in the Romney Marsh area who were seeking to develop new or expand existing products or services, where these would lead to sustained employment.
- 1.4 All applicants attended an Approval Board. This Board consisted of representatives of the co-funders, private and voluntary sectors. This Board made funding recommendations and KCC as the financially responsible authority endorsed these recommendations. KCC was responsible for receiving co-funder contributions, processing, and appraising applications, entering funding agreements, making payments, and ultimately collecting loan repayments and monitoring outcomes.

2. Background, Options & Risks

- 2.1 Marsh Million scheme was administered by Kent County Council (KCC) via arrangements with the co-funders.
- 2.2 A final Report on the impact of scheme was commissioned and completed in 2019, this report has been fully discussed by the Marsh Board. At a January 2021 meeting the original co-funders (Magnox/NDA, KCC, Ashford Borough Council and Folkestone & Hythe District Council) agreed to close the existing scheme and return all uncommitted and recovered loan funds to the original co-funders on a pro-rata basis.
- 2.3 **Options** - KCC has reviewed the option to maintain the Marsh Business Boost loan scheme. However, with a significantly diminished budget and with the ready availability of alternative loan funding from the Kent and Medway

Business Fund and the No Use Empty scheme, the justification for maintaining a separate scheme is limited.

- 2.4 **Risks** - If KCC does not return the recovered and uncommitted loan and grant funds to the co-funders, then these funds will remain unused in the KCC accounts. Without the new arrangements with the co-funders KCC will not be able to share the on-going administrative costs of managing the scheme.

3. Financial Implications

- 3.1 The capital costs from current and future loan investments from the Marsh Million scheme are estimated at £467,306 - this consists of: a) current loan repayments and uncommitted funds retained by KCC (£228,886); b) estimated value of future loan repayments up to March 2025 (£238,420).
- 3.2 Loan repayments and uncommitted loan and grant funds will be allocated to the original co-funders on a pro-rata basis, calculated on their original contributions - Magnox/NDA (50%), KCC (40%), Ashford Borough Council (5%) and Folkestone & Hythe District Council (5%). For example, based on KCC's pro-rata investment (40%), £89,554.40 will be returned to KCC immediately (£2,000 will be retained by KCC to cover on-going recovery costs). KCC's share of the loan repayments and uncommitted loan and grant funds will be allocated to: a) a contribution to the funding of the Romney Marsh Partnership post (£6,092); b) the balance to KCC's general funds. Future recovered loan repayments collected by KCC and will be returned to the co-funders every six months (see 4.4) minus the charges specified in (see 3.4).
- 3.3 The annual cost to KCC of administering the recovery of funds (inc. staff, legal, appraisal and monitoring costs) is £5,000 per annum.
- 3.4 The KCC revenue costs of this activity will be funded from an administrative charge of 10% levied against all future loan repayments. KCC will also retain a floating charge of £5,000 (from pro-rata contributions from the co-funders) to cover on-going recovery costs.
- 3.5 KCC is responsible for the recovery of outstanding loan repayments, if these funds cannot be recovered, KCC is not responsible for any subsequent bad debts.

Table 1: Marsh Million Economic Projects Scheme (Grant) and Marsh Business Boost (Loan) - February 2021		
	Loan £	Grant £
Budget	500,000	500,000
Committed	480,174	484,770
Funds not Committed	19,826	15,230
Loan Repayments to date	193,830	0
Total Loan Repayments and Uncommitted Loans/Grants	<u>213,656</u>	<u>15,230</u>
Future Loan Repayments	238,420	0

4. Legal implications

- 4.1 During the time that loan repayments are recovered or unrecoverable, KCC will continue to act as the managing authority. No new loans or grants will be offered via this scheme.
- 4.2 KCC established an Approval Board to make funding decisions related to the scheme. This Board consisted of representatives of the co-funders, private and voluntary sectors. This Board will be stood down, and some its work (such as supporting economic and social projects on the Romney Marsh) may be taken forward by the existing Romney Marsh Partnership.
- 4.3 Invicta Law Ltd will continue to provide advice on contracts, insolvency issues and work with the KCC Business Investment Team to recover the maximum amount of loan value. KCC Internal Audit will oversee the investment procedures and processes and advise on other matters related to the use of the funds.
- 4.4 Contracts will be drawn up with the co-funders to ensure the repayment of recovered and uncommitted loan and grant funds based on their original contributions. After the initial transfer of the funds currently retained by KCC (see Table 1), funds will be transferred to the co-funders bi-annually (March and September) until such time as these loans are either fully recovered or no longer recoverable. KCC will have no on-going responsibility for managing any future expenditure of the repatriated loan repayments returned to the co-funders. KCC's responsibility will be to recover the contracted loan repayments on an on-going basis from existing loan recipients and then transfer these funds bi-annually to the co-funders. KCC will seek to recover the outstanding loan repayments in line with our existing procedures and practices. In the case of loan recipients who find themselves in difficulty and are unable to repay the loans on the agreed terms, KCC can offer to restructure their debt. Should these companies subsequently move into administration, KCC will not be liable to the co-funders for any of the outstanding unrecovered loan repayments. A detailed report from Invicta Law is not required at this time.

5. Equalities implications

- 5.1 An Equality Impact Assessment (EqIA) has been appended to this report.

6. Other corporate implications

- 6.1 This decision does not have an impact in other areas of the Council's work.

7. Governance

- 7.1 The Director of Economic Development will inherit the main delegations via the Officer Scheme of Delegation.

8. Conclusions

- 8.1 It is proposed that KCC return recovered and uncommitted loan and grant funds related to the Marsh Million scheme to the original co-funders (Magnox/NDA,

KCC, Ashford Borough Council and Folkestone & Hythe District Council) on a pro-rata basis calculated on their original contributions.

8.2 KCC will stand down the existing Marsh Board, the decision-making Board for the scheme.

8.3 KCC will act as the managing authority and administer the recovery of the outstanding loan repayments until such time as these loans are fully recovered or are no longer recoverable.

8.4 KCC's costs incurred in administering this scheme shall be funded from a charge levied on loan repayments and contribution from the other co-funders.

9. Recommendation(s):

The Cabinet Committee is asked to consider and recommend to the Cabinet Member for Economic Development the proposed decision to delegate the authority to the Director of Economic Development:

1. To enter into the relevant contracts and legal agreements required to implement this decision allowing the return of the recovered loan repayments and uncommitted loan and grant funds related to the Marsh Million scheme to the original co-funders (Magnox/NDA, KCC, Ashford Borough Council and Folkestone & Hythe District Council) on a pro-rata basis calculated on their original contributions.
2. To stand down the existing Marsh Board, the decision-making Board for the scheme.
3. That KCC will continue to act as the managing authority for the recovery of the outstanding loan repayments until such time as these loans are fully recovered or are no longer recoverable.

Proposed Record of Decision is attached as Appendix A

10. Background Documents

- Appendix A – Proposed Record of Decision
- Appendix B – EqlA Marsh Million - <https://democracy.kent.gov.uk/ecCatDisplay.aspx?sch=doc&cat=14890>

11. Contact details

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