

Executive Decision

From: Director of Economic Development, David Smith

To: Leader and Cabinet Member for Business Strategy, Audit and Transformation

Decision No: 15/00054

Subject: **Approval of Loan Investment from the Expansion East Kent Fund**

Key decision

Loan value is over £1million

Classification: **Unrestricted with exempt appendices**

Appendices exempt from publication under paragraph 3 of schedule 12A of the Local Government Act 1972 "Information relating to the financial or business affairs of any particular person (including the authority holding that information)."

Past Pathway of Paper: Investment Advisory Board

Electoral Division: Folkestone South

Summary: To seek endorsement of the recommendations of the Expansion East Kent Investment Advisory Board, and formal agreement to approve a loan from the ExEK fund. The exempt appendices show the name of the company and include commercially confidential information.

Recommendation(s):

It is recommended that the Leader agree to implement the recommendation of the Investment Advisory Board and grant a loan to the Company set out in the exempt report, subject to the conditions also contained therein, of £1,942,000 from the ExEK Fund.

1. Introduction

1.1 The Expansion East Kent programme (ExEK) aims to provide financial support to businesses seeking to invest in projects that will support new jobs and growth which will help to develop its private sector base, while counteracting the effects of recent economic shocks in the area. The scheme offers targeted funding to companies where this will secure additional private sector finance and support sustainable job creation.

Geographically, the programme focuses on the districts of Ashford, Canterbury, Dover, Shepway and Thanet.

2. Background and Rationale for the Release of Funds

- 2.1 The Company requested funding from Expansion East Kent to build a new high quality, fit for purpose nursing home facility in the Folkestone area. The owners demonstrated experience and expertise in offering high quality health care provision for the elderly. The company own two other care facilities within Kent, both of which have a good reputation and high levels of occupancy. Care Homes are regulated by the Care Quality Commission (CQC). The results of these inspections revealed the high standard of health care provision provided by the company. There is currently minimal provision of the type of care facility for the elderly within Shepway and therefore the proposal illustrated added value and additionality with the creation of up to 177 new jobs. The company identified an opportunity to expand into East Kent and provide a quality care service into an area which has very few providers.

Due to the current economic climate and the nature of the project i.e. the development and build of a new care home, bank finance is only available on a strict 60% basis. This has resulted in a funding gap and without the Expansion East Kent intervention the project will not go ahead.

The overall project costs are £6.5m and the proposal for funding from Expansion East Kent is for a loan of £1,942,000. The remaining funding will be provided from the company funds and bank finance.

- 2.2 The Board recommended that the loan be approved on the 23rd June 2014, subject to the conditions set out in 7.1.
- 2.3 Owing to the level of further due diligence required in order to meet the conditions set out in 6.1 and the need to complete the legal undertakings KCC are only now in the position to release funds.

3. Financial Implications

- 3.1 Although the decision involves a loan of £1,942,000, if agreed, there is no financial impact for Kent County Council as the ExEK Fund monies were allocated as the result of a successful bid to the Regional Growth Fund and ring-fenced for the ExEK programme only.
- 3.2 Furthermore the award is in the form of a loan and all monies will be recovered from the applicant as set out in the terms and conditions of the loan and protected by a charge on the applicant's property.

4. Policy Framework

- 4.1 ExEK helps to secure two of the main policy aims of the Council by tackling disadvantage and helping the Kent economy to grow.

5. Further detail

- 5.1 An application from a business eligible to apply according to the criteria set out in the ExEK Fund has been received. The applicant is seeking to secure a loan to the value of £1,942,000 to create 108 full-time jobs and 69 part-time jobs created in the

locality.

- 5.2 The application has been subject to an independent appraisal from PWC and the consequent report has been considered and agreed by the ExEK Investment Advisory Board at the meeting of 23rd June 2014, in line with the governance of the ExEK Fund as agreed by the Department for Business, Innovation and Skills.
- 5.3 No interests were declared by members at either meeting. All members took part in a discussion of the merits of the loan, the independent appraisal and the presentation from the company seeking the loan. There was an opportunity for questions to be put to the company after the presentation on the 23rd June 2014. The Leader was present and in the Chair at the meeting.
- 5.4 The Board recommended that the loan be approved on the 23rd June 2014 subject to the conditions set out in 7.1.

6. Governance:

- 6.1 The loan application has been considered by the appropriate advisory body in line with the ExEK fund governance requirements approved by the Department for Business, Innovation and skills and agreed by Cabinet member decision; the ExEK Investment Advisory Board. The advisory board has recommended that the loan be awarded. Relevant documentation is attached; it is exempt from publication in accordance with Paragraph 3 of Part 1 Schedule 12a of the Local Government Act 1972.
- 6.2 All members have been given the opportunity to comment on the proposed decision before it was taken by the Leader. *Any comments received will be given due regard by the Leader when taking the decision and will be published as part of the Record of Decision or accompanying documentation.*
- 6.3 The Executive Scheme of Delegation for Officers set out in Appendix 2 Part 4 of the Constitution (and the directorate schemes of sub-delegation made thereunder) provides the governance pathway for the implementation of this decision by officers. In this instance, Director of Economic Development (on behalf of the Corporate Director of Growth, Environment and Transport) will be the lead officer seeking to ensure that all such steps as are necessary to implement the decision are taken.

7. Conclusions

- 7.1 The ExEK Investment Advisory Board has recommended that the proposal be fully funded, with the following conditions:
 - Negotiation to take place with KCC and the Bank regarding repayment.
 - 2nd charge to be placed on the company's properties.
 - Repayment period reduced to 5 years to comply with State Aid
- 7.2 Officers consider that all the conditions have been met.
- 7.3 The loan is considered to meet the criteria for approval and as such will support sustainable job creation, mainly in Shepway.

8. Recommendation(s):

The Leader is asked to: have regard to the information contained within the exempt report and then agree to implement the recommendation of the ExEK Investment Advisory Board and grant a loan to the Company set out in the exempt report, subject to the conditions also contained therein, of £1,942,000 from the ExEK Fund.

Governance:

The Executive Scheme of Delegation for Officers set out in Appendix 2 Part 4 of the Constitution (and the directorate schemes of sub-delegation made thereunder) provides the governance pathway for the implementation of this decision by officers. In this instance, the Director of Economic Development (on behalf of the Corporate Director for Growth, Environment and Transport) will take all such steps as are necessary to implement the decision.

9. Background Documents and appendices

9.1 Appendices

- Appendix 1 - A copy of presentation by the applicant
- Appendix 2 - A copy of the appraisal report by independent appraisers Pricewaterhousecoopers (PwC)
- Appendix 3 - A copy of Annex One risk identification and action

Background Documents

- Copies of the relevant minutes of the Expansion East Kent Investment Advisory Board Meeting
- A copy of Full Application Form

10. Contact details

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