

From: Barbara Cooper, Corporate Director for Growth, Environment and Transport

To: Mark Dance, Cabinet Member Economic Development

Decision No: 19/00019

Subject: **Regional Growth Fund Administrative Changes & Transfer of Funds**

Classification: **Unrestricted**

**Summary:** Kent County Council (KCC) administers the grant of loans to companies under the terms of the Regional Growth Fund (RGF) and receives the repayments of those loans. Under the “Escalate” RGF programme, companies in parts of East Sussex were eligible to receive loans. KCC is now seeking to transfer recovered loan repayments obtained from East Sussex companies to East Sussex County Council.

These recovered loan repayments collected by KCC and sourced from East Sussex businesses will then be transferred to East Sussex County Council (ESCC) which will then oversee the use of these funds to support local small and medium sized enterprises in the Rother and Wealden districts.

**Recommendation:** The Cabinet Member for Economic Development is asked to agree that administration of and funding-decision authority for the monies previously recovered from companies based in East Sussex and handled via the Escalate Scheme, be transferred to East Sussex County Council for management via their East Sussex Invest 5 scheme.

And that authority be delegated to the Director of Economic Development to take appropriate actions, including but not limited to, entering into legal agreements as necessary to implement this decision.

## **1. Background Information**

- 1.1 The RGF funded Escalate Programme covered West Kent and parts of East Sussex (Hastings, Maidstone, Rother, Sevenoaks, Tonbridge & Malling, Tunbridge Wells and Wealden). The scheme was managed by KCC and provided loans for companies with investment plans that would lead to job creation. All companies received 0% interest loans with repayment terms of between 5 and 7 years. Escalate was launched in December 2013 and closed to applicants in March 2015. In total £5,510,000 was committed to 40 companies.
- 1.2 As part of this allocation of £5,510,000, 4 East Sussex companies received loans worth a total of £336,250.

## **2. Update on Escalate**

- 2.1 Since the close of the Escalate programme in March 2015, KCC has to date received £93,972.94 in loan repayments from East Sussex based loan recipients. Two of the East Sussex companies are designated as bad debts with the debt only partially recovered. KCC are on-track to recover all funds from the remaining two East Sussex loan recipients by March 2020. These recovered loan repayments are currently ringfenced by KCC.

<b>Escalate Programme: Funding allocated in East Sussex</b>					
	<b>Funding per Local Authority £</b>	<b>Loan Repayments Recovered £</b>	<b>No of companies in Green Risk Status</b>	<b>No of companies Bad Debts funds partially recovered</b>	<b>Loan Repayments Still to be Recovered £</b>
Rother	136,250	£61,222.94	2	1	£41,027.06
Wealden	200,000	£32,750	0	1	0
<b>Total</b>	<b>336,250</b>	<b>£93,972.94</b>	<b>2</b>	<b>2</b>	<b>£41,027.06</b>

*\*Hastings Funding total is zero*

- 2.2 During the consultation and partnership engagement undertaken before KCC launched the Kent and Medway Business Fund in January 2017, there was no demand from companies nor KCC and ESCC to operate a joint KCC managed loan fund operated outside the geographical boundaries of the Kent and Medway area. Through discussions with ESCC, KCC established that the preferred and most practical option would be for KCC to transfer the recovered loan repayments from East Sussex loan recipients to ESCC for them to reinvest in local companies in the Rother and Wealden districts.

### **3. Proposal**

- 3.1 KCC has sought agreement and received authorisation from the Department for Business, Energy and Industrial Strategy (BEIS) which oversees and monitors the former RGF programmes to transfer to ESCC the recovered loan funds. BEIS will then monitor ESCC on its management of future expenditure and job outcomes as part of another existing RGF funded programme (East Sussex Invest 5).
- 3.2 ESCC will distribute the recovered Escalate loan repayments via the East Sussex Invest 5 programme delivered by them in partnership with Locate East Sussex (LES) and which offers grants and loans for capital investments to stimulate business growth and job creation, but the funding will be ringfenced for the Rother and Wealden districts.
- 3.3 After the initial transfer of the loan repayments already received, funds will be transferred to ESCC bi-annually (March and September) until March 2020. KCC will have no on-going responsibility for managing any future expenditure of the repatriated loan repayments by ESCC. KCC's responsibility will be to recover the contracted loan repayments as we do on an on-going basis with other existing loan recipients and then transfer these funds bi-annually to ESCC. The two remaining East Sussex loan recipients currently have a Green Risk Status

i.e. up-to-date on their loan repayments and there are no outstanding issues. In future if any of the East Sussex loan recipients still trading default on their loan commitments KCC will seek to recover the outstanding repayments in line with our existing procedures and practices. Should these companies subsequently move into administration, KCC will not be liable to ESCC for any of the outstanding unrecovered loan repayments.

#### **4. Recommendation**

The Cabinet Member for Economic Development is asked to agree that administration of and funding-decision authority for the monies previously recovered from companies based in East Sussex and handled via the Escalate Scheme, be transferred to East Sussex County Council for management via their East Sussex Invest 5 scheme.

And that authority be delegated to the Director of Economic Development to take appropriate actions, including but not limited to, entering into legal agreements as necessary to implement this decision.

#### **5. Contact details**

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