

**TONBRIDGE & MALLING BOROUGH COUNCIL**  
**ECONOMIC REGENERATION ADVISORY BOARD**

**25 February 2015**

**Report of the Chief Executive**

**Part 1- Public**

**Matters for Recommendation to Cabinet - Non-Key Decision (Decision may be taken by the Cabinet Member)**

**1 BUSINESS LOAN FUNDING SCHEMES – UPDATE**

**To review the local take up of the ESCALATE loan fund and to set out options for future support.**

**1.1 Background**

1.1.1 Members will be aware from previous reports to this Board that the ESCALATE business loan fund has been operational from December 2013 and has provided 0% interest loans to local businesses with growth potential. The scheme has covered the districts of Tonbridge and Malling, Sevenoaks, Tunbridge Wells and Maidstone in Kent, and Wealden, Rother and Hastings in East Sussex.

1.1.2 This update report covers the following issues:

- The overall take up of the scheme and the take up by businesses in the Borough
- Efforts to secure additional funding for ESCALATE and the options now available to deliver further loan funding in the future.

**1.2 Take up of Escalate Loans**

1.2.1 The availability of business loan funding across the West Kent/East Sussex area has proved to be very popular. It became clear by September 2014 that all of the available £5.5M funding pot would be taken up well before the formal end date of the programme in April 2015. Efforts were made by Kent County Council, who administrate the ESCALATE scheme and also the TIGER fund (in north Kent) and Expansion East Kent , to secure additional Government funding to enable all three schemes to continue given that other similar loan funds operating elsewhere in the country were known to be under performing in terms of projected take-up. Unfortunately, Government refused this request. On that basis, the ESCALATE fund was closed to all new applicants in December 2014.

1.2.2 To date, a total of 38 loan awards have been made to businesses across the ESCALATE area with an overall value of approximately £5.3M. Given the number of outstanding bids currently in the 'pipeline' (ie bids submitted but not yet reached the stage where a formal decision can be made), the remainder of the loan funding will easily be taken up over the coming months. Indeed, with approximately 25 businesses still in the pipeline generating bids to a total value of c£4.6M, there will be many businesses who will be unable to secure a loan via the current programme. Proposals to address this shortfall are dealt with below.

1.2.3 The following table prepared by Kent County Council sets out the spread of ESCALATE loans awarded (and pending) across each participating district along with the total value of loans awarded and the jobs created/protected data.

<b>Escalate Programme</b>	<b>Funding per Local Authority £ m</b>	<b>Private Investment £ m</b>	<b>No of Companies</b>	<b>No of Jobs to be created</b>	<b>Protected Jobs</b>	<b>Total number of Jobs</b>
Maidstone	2.7	2.9	10	136	94	230
Hastings	0	0	0	0	0	0
Rother	0.1	0.1	1	82	17	99
Sevenoaks	0.6	0.7	6	30	16	46
Tonbridge & Malling	0.85	0.85	9	69	18	84
Tunbridge Wells	1.0	1.3	11	143	10	153
Wealden	0.3	0.3	3	17	7	24
<b>Total Funding Committed</b>	<b>£5.5m</b>	<b>£6.1m</b>	<b>39</b>	<b>473</b>	<b>162</b>	<b>635</b>

1.2.4 There has been a fair spread in the number of loans offered across the area. In terms of the overall value of loans awarded, Maidstone has benefitted from two very large loans. Nine businesses in Tonbridge and Malling have successfully applied for loan funding totalling £850,000. Whilst this is not as high as some districts, the pipeline of projects yet to be funded includes 5 Tonbridge and Malling businesses with bids totalling just over £1.9M. Whilst not all of these bids might be progressed, it does indicate a strong need for additional loan funding to be found.

1.2.5 A good range of businesses in the Borough have obtained loan support. These have included:

- A digital marketing agency that work primarily with SMEs in Kent to accelerate commercial growth through the effective use of best practice digital practices. The Escalate Fund will be used to aid the business to move to larger offices in the Borough and create 4 additional jobs

- A business providing security products and installations for public, private and commercial sectors. Expansion of the business will enable 9 new jobs to be created.
- A provider of engineered solutions to a wide range of water treatment problems who have recently relocated to the borough creating 19 new local jobs.
- A wood fuel producer whose Escalate loan will be used to invest in a new biomass fired furnace creating 2 new jobs.

### 1.3 Future Funding Options

- 1.3.1 There are two principal sources of potential future loan funding which could enable the current application pipeline to be supported along with any new applicants.
- 1.3.2 The ESCALATE loan fund is, of course, recyclable. As businesses repay the loans offered as agreed by the terms of their individual contracts, that finance can then be used to support further loans.
- 1.3.3 The table below provides details of the projected repayment profile. There is one equity investment and a number of repayment schedules still to be confirmed but once agreed, the total repayment profile will be £5,150,000. This will be invested in ongoing loan support to local businesses in the ESCALATE area.

2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
£141,445	£688,301	£895,240	£899,890	£814,394	£528,626	£255,365

- 1.3.4 In addition to this, loan funding from the South East LEP is also likely to be available. An initial award of £6M for Kent and Medway has been made via the Local Growth Fund to be spread over the next 6 years. Kent and Medway partners are currently considering how best to utilise this modest, but welcome, additional funding.
- 1.3.5 A further proposal to establish a £28M recyclable fund to support business growth was included in the Kent and Medway bid in round 1 of the Local Growth Fund. Whilst that initial bid was not supported, further work is in hand to promote this proposal further with a view to a resubmission to a future LGF funding round.

### 1.4 Future Funding Priorities

- 1.4.1 Discussions are in hand with regard to how future loan schemes might operate locally. There are two possible options under consideration:

- continue the scheme on the same terms of the original ESCALATE programme
- introduce a more focused element of loan funding aimed at smaller businesses with a more streamlined application process. This has operated successfully in East Kent as a 'Small Business Boost' programme running alongside the Expansion East Kent scheme where grants of up to £50,000 have been offered to companies of less than 50 employees.

1.4.2 Given that the West Kent economy is dominated by small and medium sized businesses, it seems a sensible option to introduce a small business boost programme as part of any new business loan funding programme for this area. Analysis of the size of firms accessing Escalate loans indicate that the majority of these were firms had less than 50 employees. Such an approach would therefore continue to meet local needs and would potentially encourage more local firms to apply given the small business focus and an easier application process.

## 1.5 Legal Implications

1.5.1 Dealt with by Kent County Council who administer the business loans schemes.

## 1.6 Financial and Value for Money Considerations

1.6.1 As set out in the report.

## 1.7 Risk Assessment

1.7.1 n/a

## 1.8 Equality Impact Assessment

1.8.1 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

## 1.9 Recommendations

1.9.1 That the success of the Escalate business loan scheme **BE NOTED** and that the County Council **BE INFORMED** of the Borough Council's preference for the introduction of a 'small business boost' element in any future loan programme.

The Chief Executive confirms that the proposals contained in the recommendation(s), if approved, will fall within the Council's Budget and policy Framework.

Background papers:

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Nil

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Chief Executive