

## **CABINET**

**21 NOVEMBER 2023**

### **KENT AND MEDWAY BUSINESS FUND RE-LAUNCH**

Portfolio Holder: Councillor Lauren Edwards, Portfolio Holder for Economic and Social Regeneration and Inward Investment

Report from: Adam Bryan, Director of Place

Author: Sean Henry, Principal Economic Development Officer

#### **Summary**

This report is to inform the Cabinet on the re-launch of the Kent and Medway Business Fund (KMBF) to provide zero percent interest free loans of up to £600,000 to businesses until March 2032.

#### **1. Recommendation**

- 1.1. It is recommended that the Cabinet notes the re-launch of KMBF and supports the Economic Development Team to promote the fund to businesses.

#### **2. Suggested reasons for decision**

- 2.1. To note the KMBF re-launch and to maximise the opportunities this could provide to Medway businesses, including the creation of new jobs. Restoring Medway's involvement in KMBF is in line with the council signing up to the Federation of Small Businesses Kent's Local Leadership pledge earlier this year.

#### **3. Budget and policy framework**

- 3.1. The re-launch of KMBF does not require any budget from Medway Council. Kent County Council (KCC) has used the recycled investments (loan repayments and sale of shares in equity stakes) to provide new loans.

#### **4. Background**

- 4.1. Since January 2017, KCC, as the accountable body for the scheme, has used the recycled KMBF investments to enable the KMBF to provide new loans ranging between £26,000-£600,000 to eligible businesses across Kent and Medway in addition to a small number of equity investments managed separately by an external supplier. Most funding recipients receive interest-free loans, with a repayment period of up to 5 years. The recycled KMBF

investments have also been used to finance the Kent Life Sciences (KLS) Fund, a sub-programme of the KMBF programme, which provides equity investments in companies predominantly in the life science sector to support their growth. Since 2017, KMBF has made the following investments:

- No. of Loan Investments: 104; Total Loan investment: £13,889,299
- No. of Equity Investments: 9 companies; Total Equity investment: £4,350,000
- KMBF Jobs Created Full Time equivalent (FTE) 449.92
- KMBF Jobs Protected Full Time equivalent (FTE) 138.91

4.2. The KMBF will offer zero percent interest free loans of up to £600,000 to businesses in Kent and Medway, repayable over a period of five years. A 10 per cent administration fee will apply and no repayment will be required for the first six months. The fund is open to small and medium businesses (SME) to those in eligible sectors, including start-ups. The fund can be used to help develop or expand existing products, services and processes.

4.3. The Accountable Bodies for the decision making of KMBF, known as the Investment Advisory Board and Sub Investment Advisory Board, have been established by KCC and Councillor Lauren Edwards will be the Board Member for Medway Council.

4.4. More information about the Kent and Medway Business Fund is available at [www.kmbf.co.uk](http://www.kmbf.co.uk).

## 5. Options

5.1. This report is to note the re-launch of KMBF and to agree this is promoted to Medway businesses.

## 6. Advice and analysis

6.1. This report is to note the re-launch of KMBF. Giving access to the loans offered by KMBF complements the existing support for businesses offered by Medway Council's Economic Development Team, including business planning advice, the Partners for Growth grant scheme, the Scale Up Medway programme and a forthcoming programme of green grants for businesses.

## 7. Risk management

7.1. Since August 2023, to date, the KCC Business Investment Team has been working alongside colleagues from both the Office of General Counsel (legal expertise) and KCC Finance (debt mitigation) and this work has covered the following:

- Full review of the suite of legal documentation by external lawyers (Bevan Brittan).

- Review of the Investment Advisory Board, Sub-Group and Debt Recovery Group's Terms of Reference.
- Full and comprehensive review of the entire application process, including debt recovery by finance with specific recommendations to the strengthening of the appraisal process alongside legal and security requirements.

Risk	Description	Action to avoid or mitigate risk	Risk rating
Department for Levelling Up, Housing and Communities (DLUHC) may withdraw funds.	If for any reason the DLUHC withdraw the fund, the programme will not be able to continue.	Lobby the DLUHC jointly with KCC to provide an alternative fund.	DII.
KCC no longer able to fund the administration of the scheme.	Due to financial pressure felt by councils, KCC may be at risk of a Section 114 resulting in administrators scaling back non-statutory obligations.	If the income is substantial enough to cover the administration of the scheme, Medway could potentially administer the funds.	CII.
Severe economic downturn.	In the event of an economic crisis, the recipients of the fund may struggle with repayment.	Ensure comprehensive due diligence and governance of application process to limit exposure to bad debt.	CIII.

For risk rating, please refer to the following table (please **retain** table in final report):

Likelihood	Impact:
A Very likely B Likely C Unlikely D Rare	I Catastrophic II Major III Moderate IV Minor

## 8. Consultation

- 8.1. KCC consulted with Medway Council, district councils and business groups such as the Federation for Small Business and Kent Invicta Chamber of Commerce.

## 9. Climate change implications

- 9.1. [The Council declared a climate change emergency in April 2019](#) - item 1038D refers and has set a target for Medway to become carbon neutral by 2050.
- 9.2. The Medway 2037 Innovation Strategy identifies the potential growth of carbon-neutral industries in Medway. This fund, where appropriate, could break down barriers to investment and growth of essential emerging technologies.

## 10. Financial implications

- 10.1. There are no financial implications for Medway Council.
- 10.2. KCC has used the recycled KMBF\RGF investments (loan repayments and sale of shares in equity stakes) to enable the KMBF to provide new loans.

## 11. Legal implications

- 11.1. There are no legal implications for Medway Council.
- 11.2. KCC hold the contract with DLUHC to administer the fund until March 2032.

## Lead officer contact

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## Appendices

None.

## Background papers

None.