

Report to: Lead Member for Economy

Date of meeting: 2 October 2018

By: Director of Communities, Economy and Transport

Title: Transfer of Kent Escalate RGF 4 for incorporation into the East Sussex Invest 5 fund.

Purpose: To seek approval to enter into a contract to transfer the returned loan funds of the Kent Escalate RGF 4 funds covering Wealden and Rother from Kent County Council to East Sussex County Council.

RECOMMENDATIONS: The Lead Member is recommended to:

- 1) Approve in principle the entering into of a contract between East Sussex County Council and Kent County Council where ESCC will accept the RGF 4 loan repayments made to KCC to redistribute as loans to businesses in Wealden and Rother; and**
 - (2) Delegate authority to the Director of CET in consultation with the Assistant Chief Executive to approve the final terms of the contract giving effect to (1) above.**
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1. Background

1.1 The Government's Regional Growth Fund round 4 (RGF4) ran for an 18 month period from December 2013 to June 2015. There were a number of successful projects offering funding to businesses to help them grow. East Sussex County Council's Economic Development Team ran the East Sussex Invest 3 (ESI3) programme – a £4m pot awarding a mixture of grants and loans to support business growth, with a particular focus on the creation of new jobs.

1.2 The delivery process for the East Sussex Invest fund was guided by a Lead Member report dated January 2013. The process approved includes an independent Grants and Loans Panel chaired by the Lead Member which recommends action on the applications to the Director Communities, Economy and Transport who has delegated authority to approve funds.

1.3 The contract with the Department of Communities and Local Government (now the Ministry of Housing, Communities and Local Government MHCLG) to deliver ESI 3 included an obligation to recycle loans that were returned and, once returned twice, to award as grants. The entire fund was used and a total of £1.1m in loans made. The loans that have been returned to date (c£800k) have been awarded to new applicants.

1.4 Kent County Council (KCC) also had RGF4 Funding to award loans (not grants) to businesses in East Kent and the districts of Wealden and Rother in East Sussex, they also had a contractual obligation to recycle loans that were returned.

1.5 KCC awarded 4 loans in Wealden and Rother, however two of the businesses have since gone into receivership. KCC is not able to offer the returned funds to businesses in East Sussex as they now have reduced resources to deliver the fund. KCC has therefore offered to transfer these funds to ESCC to lend as per the original contract. MHCLG have agreed this proposal.

2. Supporting information

2.1 Legal Services have drafted a contract which sets out the agreement with KCC and lists the companies that were awarded funding. This contract transfers to ESCC the responsibility of recycling the loan funds to new applicants from Wealden and Rother districts.

2.2 The parties acknowledge that KCC has received or is due to receive returned RGF Funds as follows:

Loan Recipient	Amount	Date Due
Torr Scientific	£21,909.18	31 st March 2018
Perfect Plants Limited	£8,000	31 st March 2018

2.3 The funds to be transferred this year are £29,909.

2.4 ESCC already has the process in place to deliver this as the ESI3 funds are being recycled via the East Sussex Invest 5 fund (ESI5) which is currently open and being managed by the Economic Development team.

3. Conclusion and reasons for recommendations

3.1 To avoid the loss of the funding available MHCLG has agreed that the funds returned to KCC from East Sussex businesses can be transferred to ESCC to make further awards to businesses in Wealden and Rother. KCC has agreed to enter into a contract to transfer returned loan funds.

3.2 The Lead Member for Economy is therefore recommended to approve in principle the entering into a contract between East Sussex County Council and Kent County Council where ESCC will accept the RGF4 loan repayments made to KCC to redistribute as loans to businesses in Wealden and Rother; and to delegate authority to the Director of CET in consultation with the Assistant Chief Executive to approve the final terms of the contract giving effect to this.

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BACKGROUND DOCUMENTS

Draft Contract between ESCC and KCC