

# KMBF Recovery Loans



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## Contents

<b>1</b>	KMBF Recovery Loans	3
<b>2</b>	KMBF eligible area	4
<b>3</b>	Funding available through KMBF	5
<b>4</b>	Who can apply?	5
<b>5</b>	What will KMBF pay for?	7
<b>6</b>	What KMBF cannot fund	7
<b>7</b>	KMBF application process	8
<b>8</b>	How to Apply: Pre-Application	9
<b>9</b>	Full Application and Appraisals	9
<b>10</b>	Funding decision	11
<b>11</b>	Contact for further information	12
<b>G</b>	Glossary	13
<b>A</b>	Appendices	
	Appendix 1 - Additional Eligibility Criteria	14
	Appendix 2 - Additional Ineligible Activities	15
	Appendix 3 - Eligible Expenditure	16

1

# KMBF Recovery Loans

This scheme is funded by recycled loan repayments from the former Regional Growth Fund schemes (Expansion East Kent, Tiger and Escalate).

In the current economic crisis, there is a need to support businesses with a track record of success in Kent and Medway but are now facing significant difficulties as a result of the Covid-19 pandemic.

KMBF Recovery Loans must be used to ensure the future sustainability of your business and enable a return to growth in the medium to long term through the funding of working capital in your business, examples of which include:-

### Day to day running costs



Day to day running costs such as paying supplier invoices, existing staff costs in the short term.

### Cashflow

IS-155	Other Income
IS-160	Dividends Received
IS-200	Profit on Disposal of Assets
IS-305	Cost of Sales
IS-310	Distribution Costs
IS-315	Advertising & Marketing
IS-600	Administration Expenses
IS-650	Interest Paid
IS-700	Taxation Paid
IS-705	Other Expenses
	Foreign Exchange Loss
	Loss on Disposal of Assets

Cashflow for operational purposes such as purchasing of new stock, paying maintenance and utility bills.

### “Gap Funding”



“Gap Funding” – where commercial funding sources e.g. overdrafts and invoice finance, cannot provide the full funding requirements.

Applicants will need to specify in their business plan how the support of these working capital costs will enable their business to survive and thrive, adapt to the changing markets in which they operate, and protect jobs.

KMBF Recovery Loans should not be used to replace any current finance arrangements e.g. to repay a credit card balance, pay off a business overdraft, or replace a finance arrangement on a van, unless finance is being withdrawn by your current lender.

This scheme provides financial assistance to established Kent and Medway based businesses. Applicants will need to explain how they will meet the following objective:

- Ensure the future sustainability of the business and enable a return to growth.

Established small businesses (defined as those with fewer than 50 employees) will have the opportunity to borrow between £50,000 and £100,000 at a zero rate of interest. The repayment period is up to 6 years. Shorter repayment periods are available on request. No repayment will be required in the first year.

Medium-sized businesses (those whose employees' number between 50 and 250) can only apply for 2 year loans. Shorter repayment periods are available on request.

For limited companies, no security will be required over the assets of the business; instead a personal guarantee will be required from directors, worth 10% of the value of the loan.

A one-off administration fee of 5% of the value of the loan will be deducted from the loan at the time it is paid to the borrower.

Applicants must show that at the time of submitting their application their business is neither subject to insolvency proceedings, debt restructuring, liquidation or similar, and have had at least 3 years' successful trading before 31 December 2019.

Businesses should be located within the Ashford, Canterbury, Dartford, Dover, Folkestone & Hythe, Gravesham, Maidstone, Medway, Sevenoaks, Swale, Thanet, Tonbridge & Malling and Tunbridge Wells local authority areas (see [Map 1](#) below).

The scheme will close when the £2m budget for this round of funding is committed..

2

## KMBF Eligible Area

Kent and Medway Business Fund Recovery Loan Eligible Area. The local authority areas of Ashford, Canterbury, Dartford, Dover, Folkestone & Hythe, Gravesham, Maidstone, Medway, Sevenoaks, Swale, Thanet, Tonbridge and Malling and Tunbridge Wells are highlighted in Red.



Map 1

## 3

## Funding available through KMBF

This scheme provides financial support in the form of repayable business finance, sometimes referred to as interest free (0%\*) or soft loans (see [Glossary](#)) with:

- A 5.0% administrative charge.
- A 1-year (12-month) repayment holiday and loans then paid back over a 5 year period for small sized businesses, or a 1 year period for medium sized businesses.
- Personal Guarantee(s) will be required to cover 10% of the value of the loan requested between £50,000 and £100,000, i.e. for a £70,000 loan, Personal Guarantee(s) to the value of £7,000 will be taken.

## 4

## Who can apply?

You can apply for investment support from KMBF if you meet the following criteria:

- **Covid-19 Business Disruption** – Your business has suffered significant business disruption resulting from the COVID-19 outbreak e.g. lost trade.
- **Have sought or applied for a Coronavirus Business Interruption Loan (CBILS) or a Coronavirus Bounce Back Loan (BBL)** – Your business should have applied for or been granted a CBILS or BBL. If you have been declined, or have not sought this funding, you may still be eligible, however reasons for refusal or not seeking this finance must be given, and is taken into account in funding decisions.
- **Viable** – Your business must have been viable and not in difficulty before 31 December 2019 and not currently subject to collections or collective insolvency proceedings.
- **Type of business** – A sole trader, partnership, or a limited company (see [Glossary](#) for definition).
- **Trading for 3 years** – You can confirm that your business has been trading for at least 3 years.
- **Protect/Provide employment** – Protecting or Creating jobs (see [Glossary](#) for definitions) in the KMBF Eligible Area i.e. the local authority areas of Ashford, Canterbury, Dartford, Dover, Folkestone & Hythe, Gravesham, Maidstone, Medway, Sevenoaks, Swale, Thanet, Tonbridge and Malling and Tunbridge Wells. (See [Map page 1](#) eligible areas are indicated in Red.)
- **Size of business** – KMBF will only fund small and medium sized enterprises (SMEs) e.g. employing fewer than 250 people (see [Glossary](#) for definition).

4 Who can apply? continued



- **Size of loan** – Your application for a loan must be in excess of £50,000 and no more than £100,000. Loans are offered with a 1 year repayment holiday and the full amount of the loan then paid back over a 5 year period for small businesses (less than 50 employees) or a 1 year period for medium sized businesses (between 50 and 250 employees). Loans will be at 0% rate of interest for this repayment period. In certain circumstances, interest may be charged to ensure compliance with state aid rules, for example, if this term is exceeded.
- **Personal Guarantees** – If the applicant is a limited company, you or other directors must provide a personal guarantee for 10% of the value of the loan requested between £50,000 and £100,000.
- **Business Proposal** – Applicants need to demonstrate in your business plan that the provision of a loan will enable your business to continue to trade beyond the short-to-medium term difficulties caused by the COVID-19 outbreak. The funding requested should be focused on the following activities:-
  - Ensure the future sustainability of the business and enable a return to growth.

Additional eligibility criteria can be found in [Appendix 2](#).

## 5

## What will KMBF pay for?

The minimum loan is £50,000. The maximum loan is £100,000. The scheme will normally contribute up to 100% of total eligible costs in your business proposal.

An eligible investment proposal must be used to support business recovery, protect jobs and promote economic growth. Main types of eligible investments are:-

- **Gap Funding** – Where commercial funding sources e.g. overdrafts and invoice finance, cannot provide the full funding requirement.
- **Working Capital** – Assisting the short-term liquidity of your business, due to the expected income and activity being delayed or disrupted due to the Covid-19 outbreak. This funding can provide working capital until normal business can commence again. This includes supporting day to day running costs and cashflow for operational purposes.

Please refer to [Appendix 3](#) for a detailed list of eligible costs.

## 6

## What KMBF cannot fund

**Non-eligible sectors** – KMBF cannot accept applications from firms active in the following sectors, as they are ineligible and cannot be considered for support:

- Fisheries and aquaculture.
- Primary production and processing of agricultural products.
- Coal and steel production.
- Shipbuilding.
- Synthetic fibres.
- Organisations engaged in political activity or lobbying at any level or activity of an exclusively religious nature.
- Hospital, medical services and publicly and privately-owned nursing homes, or care related hostel or residential activities.
- Defence sector activities.
- Schools (including state, free schools and private).
- Professional services e.g. accountants, legal, financial, insurance.
- Road haulage, distribution and warehousing.
- Energy generation.
- Franchises.

We also acknowledge that for some investment proposals, it may be difficult to easily define which sector they fall within. Therefore, please submit an on-line pre-application form so that the KMBF Programme Management Team can undertake an assessment of eligibility (for contact details see [Section 11](#)).

7

## KMBF application process

### STAGE ONE

Submission of an online Pre-Application  
Pre-Applications open: **3 August 2020**  
Pre-Applications close: **14 August 2020**



We advise you why we are not progressing your Pre-Application

### STAGE TWO

Invitation to submit Full Application

Full Application and supporting documents to be reviewed by the submission deadline date provided in your invitation to submit letter

### STAGE THREE

Internal Document Check by KCC of Full Application



We advise you why we are not progressing your Pre-Application

Your Full Application is passed to our External Appraisers

### STAGE FOUR

Applications are considered by the Kent & Medway Investment Advisory Board and subsequently ratified by a KCC Credit Committee



If you are unsuccessful we will write to you to explain why

If successful we send you an offer in principle letter and ask you to attend a contract negotiation meeting scheduled for **1-2 weeks after your KMIAB meeting**



Defrayment of your loan monies follows



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8

## How to Apply: Pre-Application

The KMBF pre-application assessment is a key part of the application process and is undertaken to determine:-

- The eligibility of the business and the investment proposal.
- Compliance with the Scheme's criteria.

The pre-application assessment will be undertaken by the KMBF Programme Management Team.

If the number of pre-applications exceeds the estimated amount of funds available to cover your proposal, you will be informed that your application has been put on hold.

Once a proposal has been approved to progress to full application, you will be expected to submit your full application by the **deadline date specified in your approval to progress email**. Unsuccessful applications will be provided with feedback and given the opportunity to re-apply if further information shows that the eligibility criteria can be met.

A copy of the **Scheme Application Form** will be provided once the pre-application process has been concluded and the investment proposal is deemed eligible to continue to the next stage.

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9

## Full Application and Appraisals

A copy of the full KMBF application form will only be provided once the pre-application (triage) process has been concluded and the investment proposal is deemed eligible to continue to the next stage.

Applicants will be required to submit their full applications and supporting documents by the **deadline date specified in your approval to progress email**; this will allow sufficient time for full applications and their supporting documents to be checked and appraised prior to a decision-making meeting.

## 9 Full application & appraisals *continued*

**Supporting Documents** – These documents can be submitted electronically in a zipped folder to [kmbfrecovery@kent.gov.uk](mailto:kmbfrecovery@kent.gov.uk). This folder should include:-

- A completed full application – template provided.
- A business plan detailing the business history and future plans.
- A completed copy of your Project Profile (excel spreadsheet – template provided)
- 3 years' statutory audited, unaudited or draft accounts up to 31 December 2019.
- 3 months' management accounts and aged debtor/creditor list up to March 2020.
- Projected balance sheet, profit and loss and cash flow (in a monthly format, to include forecasted loan repayments) – template provided.
- A Pen Portrait detailing the professional histories and qualifications of the management team/directors.
- Confirmation of offers of financial support from other sources for the proposal.
- A completed State Aid De Minimis Declaration – template provided.
- A copy of your Equal Opportunities Policy.
- A signed individual Consent Form for credit checks on owners/partners/directors – template provided.

If relevant:-

- A copy of any planning approval or licence.

On receipt of this documentation, the KMBF Programme Management Team will undertake checks to ensure compliance, including background checks on the directors and senior management.

Please note that when you submit a KMBF application your organisation must also agree to KCC seeking necessary credit references or reports (a permission form is provided at the full application stage). Your application cannot proceed until this permission is provided from all individual directors and shareholders.

All proposals and supporting documents must be the property of the applicant and must not infringe any existing patent or copyright and all applications will be deemed as commercial and in confidence.

All full applications will be appraised within the timeline specified in your approval to progress email – [see Section 7](#). Please note we require all the documents listed above – full application form, supporting documents and permission forms – to be provided before the appraisal takes place. The process for undertaking an appraisal of an investment proposal is proportionate to the level of funding requested.

The independent appraisal team appointed by KCC may need to raise questions with applicants to clarify issues or request additional information. The independent appraisers will make recommendations to the Kent & Medway Investment Advisory Board (KMIAB).

## 10

## Funding decision

All applications who have successfully completed due diligence will be considered by the Kent & Medway Investment Advisory Board (KMIAB). The Board will take into account the capabilities of the applicant's management team and the business proposal based on the CAMPARI methodology (Character, Ability, Means, Purpose, Amount, Repayment, Insurance). The Board will make a recommendation but final decisions on awarding or withholding investment will be at the discretion of KCC.

The proposal will then be considered by the KCC Credit Committee, who will assess the risks associated with the loan and the proposed repayment plan and make the final decision, which is confirmed by KCC.

If your application is successful, you will be informed of the decision by email normally within 5 working days of the KMIAB meeting and be provided with an offer by email detailing the level of finance and the conditions associated with the funding. This will constitute part of the contract with KCC as the Accountable Body for the KMBF. If your investment proposal is unsuccessful, then your email will provide information on the reasons for this decision.

Payment of funding may depend upon agreed investment and/or employment milestones being achieved by the recipient (to be set out in the offer letter).

- Suitable milestones will be identified from the information contained in your business plan; these will then be monitored during the lifetime of the investment period and 3 years beyond the final loan payment to ensure that the conditions of the finance offer have been met.
- Any award of finance under the KMBF may become repayable in its entirety if the investment should move outside the eligible area within 3 years of the award of funding.
- If you do receive funding, we will be monitoring your business against performance targets, for example jobs created and expenditure.



11

## Contact for further information

### KMBF Recovery Loans

Programme Management Team  
Kent County Council  
2nd Floor, Invicta House, County Hall  
Maidstone  
Kent ME14 1XX

Email: [kmbfrecovery@kent.gov.uk](mailto:kmbfrecovery@kent.gov.uk)

<http://www.kent.gov.uk/business/business-loans-and-funding/kent-and-medway-business-fund>



## G

## Glossary

<b>Additionality</b>	Applicants must describe the additionality of their project and the ways in which this will be achieved. For example, demonstrate the reasons why KMBF funding is necessary to enable the proposal to succeed. Provide the reasons why the project would not go ahead without KMBF support.
<b>Innovation</b>	Applicants must describe the innovation of their project and the ways in which this will be achieved. For example, explain how your application will be innovative to the KMBF eligible area. How the application will be innovative in terms of your business type or sector.
<b>Jobs created</b>	A job which lasts for 3 years from the receipt of funding.
<b>Jobs protected</b>	A job that would otherwise have ceased to exist within 15 months of receipt of funding.
<b>Loans</b>	KMBF loans are offered at 0% interest to eligible businesses. However, interest may be charged to ensure compliance with state aid rules.
<b>Small-Sized Businesses</b>	The UK government defines Small Sized Enterprises (SMEs) as: <ul style="list-style-type: none"> <li>• Employing fewer than 50 people.</li> <li>• Having a balance sheet that is less than £8.5 million.</li> <li>• Annual turnover less than £8.5 million.</li> </ul>
<b>Medium-Sized Businesses</b>	The UK government defines Medium Sized Enterprises (SMEs) as: <ul style="list-style-type: none"> <li>• Employing between 50 and 250 people.</li> <li>• Having a balance sheet that is less than £45 million or annual turnover less than £45 million.</li> </ul>

## A

## Appendix 1 – Additional Eligibility Criteria

In addition to meeting the criteria in [Section 4](#) above, all investment proposals must fulfil the following conditions:

- **Employment** – All proposals must have a positive impact on employment in the KMBF eligible area and must, specifically, create or safeguard either full-time or part-time jobs within the business.
- **Demonstrate need** – The applicant must be able to demonstrate the need for financial support.
- **Viability** – The organisation undertaking the investment proposal must have been viable as of 31 December 2019, have good growth potential and be self-sustaining after the investment.
- **Impact** – The investment proposal is likely to have a positive impact on the economy of the KMBF eligible area.
- **Number of applications** – Applicants can only submit one application for the KMBF at any one time. The opportunity to submit further applications would be dependent on such a loan not breaching State Aid rules. Permission should be sought from the KMBF Programme Management Team (for contact details see [Section 11](#)) prior to any further additional submission.
- **Repayment** – In the case of applications from all applicants, we would normally expect all loans to be repaid within a period of 5 years after the 1 year loan repayment holiday for small sized businesses and be repaid within 1 year after the 1 year loan repayment holiday for medium sized businesses. The scheme looks unfavourably at repayment profiles involving “balloon payments” (i.e. an unusually large payment due at the end of the loan). All repayments will be paid by monthly Direct Debit.
- **Applicants in receipt of RGF funding** – Applicants who have previously received funding from KMBF and the former RGF schemes (Expansion East Kent, Tiger and Escalate) will only be able to proceed with the application if: a) the application remains within State Aid Rules; b) the applicant is up to date on monitoring and loan repayments at the time of application.

## A

## Appendix 2 – Additional Ineligible Activities

KMBF cannot fund what we consider ineligible expenditure such as:

- **Stock purchases**
- **Purchase of shares of another business**
- **Goodwill**
- **State Aid limits** – Any offer of finance assistance which would lead to State Aid limits being exceeded.
- **Reputation** – Investments which would result in potential damage to KCC and its partners' image and reputation.
- **Capital investment** – If you are seeking support for capital investment, the following costs are eligible under the KMBF Capital Growth Loan scheme, but are not eligible for a Recovery Loan:-
  - Tangible assets
  - Land – Purchase of & buildings
  - Land – Development/ works
  - Buildings – Construction/Improvement
  - Certain professional fees
  - Fixtures & fittings
  - Equipment & machinery
  - Leases
  - Wage costs for new permanent employees
  - Intangible assets

## A

## Appendix 3 – Eligible Expenditure

<b>Gap Funding</b>	Where commercial funding sources e.g. overdrafts and invoice finance, cannot provide the full requirement.
<b>Working Capital</b>	A loan may help towards assisting the short-term liquidity of your business, due to the expected income and activity being delayed or disrupted due to the Covid-19 outbreak. This funding can provide working capital until normal business can commence again, this includes supporting day to day running costs and cashflow for operational purposes.

**Please note** that it is not intended that our loan replaces any current finance arrangements e.g. to repay a credit card balance, pay off a business overdraft, or replace a finance arrangement on a van, unless finance is being withdrawn by your current lender.

*Queries regarding the eligibility of various items of expenditure should be raised with the KMBF Programme Management Team (for contact details see [Section 11](#)) at the earliest opportunity.*