

# Kent and Medway Business Fund (KMBF) Loans



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## Kent and Medway Business Fund (KMBF) 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 have remained resilient and been able to adapt to change as a result of the Covid-19 pandemic.

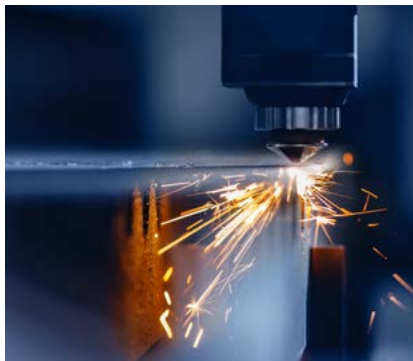
KMBF Loans must be used to drive growth in your business through capital investment, examples of which include:

### Tangible assets



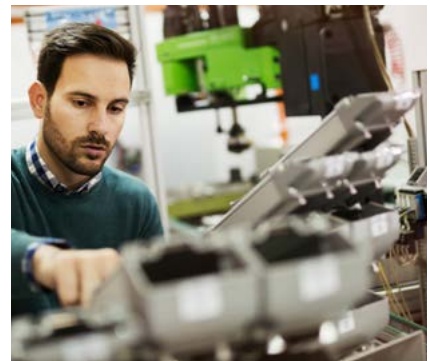
Tangible assets such as land, buildings, plant, software, machinery and equipment.

### Intangible assets



Intangible assets acquired from third parties by the transfer of technology or knowledge.

### Employment costs



Employment costs of new permanent employees (this does not apply to existing staff).

Applicants will need to specify in their business plan how the proposed investment will enable their business to grow, address weaknesses, protect or create jobs, and adapt to the changing markets in which they operate through innovation, increasing capacity and/or improving productivity.

Applicants will also need to show how they will meet at least one of the following objectives:-

- Develop new capacity to enable the business to grow.
- Develop a new product or service.
- Introduce new technology.
- Invest in a new process to improve productivity.

Small and medium-sized businesses (defined as those with fewer than 250 employees) will have the opportunity to borrow between £101,000 and £500,000 at a zero rate of interest. The repayment period is up to 5 years, shorter repayment periods are available on request. No repayment will be required in the first 6 months.

Security or personal guarantees will be taken on all loans.

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.

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.

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## KMBF Eligible Area

Kent and Medway Business Fund Loans 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

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## 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 6 month repayment holiday with the loan then paid back over a 5 year period for all applicants.
- Security will be required for at least a value equal to the loan capital (see [Appendix 5](#)).

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## Who can apply?

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

- **Covid-19 Business Disruption** – If you are an existing business, your proposal must indicate business disruption resulting from the COVID-19 outbreak, e.g. lost trade and your plans to operate in a post COVID-19 business environment. If you are a start-up business, your proposal must indicate how your business will operate in a post COVID-19 business environment.
- **Have sought or applied for a Coronavirus Business Interruption Loan (CBILS) or a Coronavirus Bounce Back Loan (BBLS)** – Your business should have applied for or been granted a CBILS or BBLS. 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** – business must have been viable and not in difficulty before 31 December 2019 and not currently subject to collections or collective insolvency proceedings.
- **Private sector match funding** – The investment proposal requires support from other funding sources (see [Appendix 4](#) below for further details).
- **Type of business** – A sole trader, partnership, limited company or a not-for-profit business (see [Glossary](#) for definition).
- **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 for at least £101,000 and no more than £500,000. Loans are offered with a 6 month repayment holiday. 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.
- **Security** – For all loans security or personal guarantees will automatically be required. Please note that when security is provided it will be required for at least a value equal to the loan capital (see [Appendix 5](#)).
- **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 at least one of the following activities:-
  - To develop new capacity to enable the business to grow.
  - To develop a new product or service.
  - To introduce new technology.
  - To invest in a new process to improve productivity.

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

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## What will KMBF pay for?

The minimum loan is £101,000. The maximum loan is £500,000. The scheme will normally contribute up to 50% of total eligible costs in your business proposal. Therefore, in the case of a 50% loan with an eligible investment totalling £250,000, the maximum loan contribution would be potentially £125,000.

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

- **Funding tangible assets** – This includes assets such as land, buildings, plant, software, machinery and equipment. These assets can be purchased outright or by using lease finance or hire purchase (see [Appendix 3](#)).
- **Funding intangible assets** – This includes assets acquired from third parties by the transfer of technology or knowledge.
- Wage costs for new permanent employees – see [Appendix 3](#).

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

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## 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 ([Section 11](#)).

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## KMBF Application Process

### STAGE ONE

Submission of an online Pre-Application  
Pre-Applications open: **17 August 2020**  
Pre-Applications will close when funds are exhausted



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 Full 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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## 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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## 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 [kmbf@kent.gov.uk](mailto:kmbf@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)
- Up to 3 years' statutory audited, unaudited or draft accounts (for an existing business).
- 3 months' management accounts and aged debtor/creditor lists.
- Projected balance sheet, profit and loss and cash flow (in a monthly format, to include forecasted loan repayments) -template provided.
- A Pen Portrait or Curriculum Vitae 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).

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## 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.



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## Contact for further information

### **KMBF Loans**

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

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

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



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## 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 and Medium-Sized Businesses</b>	<p>The UK government defines Small and Medium Sized Enterprises (SMEs) as:</p> <ul style="list-style-type: none"> <li>• Employing fewer than 250 people.</li> <li>• Having a balance sheet that is less than £45 million or annual turnover less than £45 million.</li> </ul>

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## 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** – Applicants 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 6 month repayment holiday. 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.

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## Appendix 2 – Additional Ineligible Activities

KMBF cannot fund what we consider ineligible expenditure such as:

- **Stock purchases**
- **Working Capital** – Assisting the short-term liquidity of your business e.g. supporting day to day running costs and cashflow for operational purposes.
- **Gap Funding** – Where commercial funding sources e.g. overdrafts and invoice finance, cannot provide the full funding requirement.
- **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.

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## Appendix 3 – Eligible Expenditure

<b>Tangible assets</b>	This includes assets relating to land, buildings, plant, machinery and equipment. These assets can be purchased outright or by using lease finance or hire purchase.
<b>Land – purchase of &amp; buildings</b>	The expectation is that this will be funded as part of a bigger investment proposal. Planning permission and building warrant costs are eligible. Acquiring land or buildings may not commence before funding has been approved.
<b>Land – development/ works</b>	The expectation is that this will be funded as part of a bigger investment proposal. Development works may not commence before funding has been approved.
<b>Buildings – construction/ improvement</b>	A range of costs associated with construction of new premises and/or refurbishment of existing premises, including internal sub-division of existing premises. New provision and improvement of premises must relate to buildings which have an industrial, or business use.
<b>Certain professional fees</b>	KMBF can fund “certain professional fees” but these are specifically orientated around the development of capital projects i.e. software engineer, quality surveyor, architect. Accountancy and legal fees would only be eligible in exceptional situations.
<b>Fixtures &amp; fittings</b>	There is no definitive list of what an eligible fixture or fitting is. The rationale is that such items are deemed to be those items essential to the delivery of the project e.g. the purchase of a PC to support remote working. In such cases, the onus is on you as the applicant to fully justify the need for the proposed items of equipment. Each application is treated on its own merits.
<b>Equipment &amp; machinery</b>	Equipment and machinery must be relevant to the project. Costs related to the acquisition of equipment and machinery assets under lease are eligible provided the lease takes the form of financial leasing and contains an obligation to purchase the asset at the expiry of the term of the lease.
<b>Leases</b>	Under KMBF the cost of new leases on land or buildings can be capitalised as eligible assets. Normally we are therefore expecting to capitalise leasing costs for a maximum of 5 years; to be eligible the lease would need to have a duration of a minimum of 5 years.
<b>Wage costs for new permanent employees</b>	KMBF can contribute towards wage costs over a period of 12 months of new or non-furloughed permanent employees. Wage costs mean the total amount payable by the employer in respect of the employment concerned, comprising the gross wage, before tax, and includes compulsory social security contributions (Employer’s NI, SSP and SMP). Please note that jobs must be maintained for at least a further 24 months (36 months in total).
<b>Intangible assets</b>	This includes assets acquired from third parties by the transfer of technology or knowledge, such as patent rights; licences; know-how and unpatented technical knowledge.

*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.*



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## Appendix 4 – Match Funding

Type of match funding	1b Minimum requirement to support funding at initial Full Application stage	1c Finalised paperwork required at contract stage / prior to release of any funds
<b>Bank loan</b>	Copy of Heads of Terms <b>or</b> conditional offer letter provided by the Bank. N.B this should confirm offer of funds to your Company (£ value), and be provided on Bank letterhead paperwork or similar.	<ul style="list-style-type: none"> <li>Copy of Bank Loan contract document duly signed / in force, confirming funds (£ value) have been provided to your Company.</li> </ul> <p>N.B. if the loan contract is <b>not</b> new, then a copy of current business bank account statement showing that the loan provided remains available to the Company. (i.e. not already exhausted).</p>
<b>Company own funds</b>	Copy of current bank statement of Company confirming availability of funds.	Refreshed copy of current business bank account statement showing that the funds (£ value) remain available to the Company. (i.e. not already exhausted)
<b>Overdraft facility</b>	<ul style="list-style-type: none"> <li>Copy of letter from Bank confirming overdraft facility available to Company.</li> </ul>	Copy of letter from Bank confirming overdraft facility available / together with; a copy of current business bank account statement showing that the overdraft remains available to the Company. (i.e. not already exhausted).
<b>Own funds inc. owner, partner's, director's, member's loan</b>	Copy of a current bank statement showing where monies are held confirming availability of funds.	Copy of current business bank account statement showing that the funds have been provided/transferred to the Company/are available. (i.e. not already exhausted).
<b>Pension funds from Company</b>	Letter of commitment from trustees of pension fund.	Trustee resolution confirming funding (£ value) available to the Company.
<b>Private investor/ New share capital/ New equity investors</b>	Copy of Heads of Terms <b>or</b> conditional offer letter provided by the investor. N.B this should confirm offer of funds to your Company (£ value), and be provided on the investors letterhead paperwork or similar.	Copy of current business bank account statement showing that the funding has been provided / transferred to the Company/are available. (i.e. not already exhausted).
<b>Shareholder contributions</b>	<ul style="list-style-type: none"> <li>Heads of Terms</li> </ul>	<ul style="list-style-type: none"> <li>Shareholder agreement duly signed/in force confirming funds (£ value) have been provided to your Company, <b>or</b></li> <li>Company bank statement showing credit values into the accounts identifying the shareholder contribution.</li> </ul> <p>N.B. if the shareholder agreement is not new, then a copy of a current business bank account statement must be provided identifying the shareholder contribution and showing that these funds remain available to the Company. (i.e. not already exhausted).</p>

*The potential use of other types of match funding can only be undertaken with the express approval of the KMBF Programme Management Team (for contact details see [Section 11](#)).*

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## Appendix 5 – Security

### Personal Guarantees

This is a stand-alone guarantee required on a loan and is an agreement from an applicant/director/third party to repay the loan should the business not be able to do so.

### Security

Security will automatically be required for all loans. There are a number of requirements for this security:-

- It must have realisable value. We will require an independent valuation of the asset used as security.
- The value should normally be at least equal to the loan capital and administrative charges over the term of the loan.
- The security must be a first or a second legal charge over an asset held by the applicant. The legal charge will provide KCC with certain rights over the asset used as security where the terms of the loan are not met.
- The asset used as security may be replaced during the term of the loan, subject to KCC agreement, provided the value of the replacement asset is at least equal to the lower of the market value of the asset it has replaced.
- Where the applicant carries out a transaction, which in turn reduces the value of the security, an unauthorised payments charge will apply. However, where the value of the security reduces for reasons beyond their control, this will not be deemed an unauthorised payment.
- The security does not have to be provided by the borrowing applicant, it can be provided by other parties, such as family members or other companies where consideration can be evidenced.
- We will only permit the use of a principal private residence as security after consultation with the applicant, normally where no other suitable security is available.

Examples of security are:

- Commercial property.
- Intellectual property (copyright, trademarks, designs and patents).
- Personal investments such as land, cash deposits or investment portfolios.
- Plant and machinery (provided it does not depreciate in value faster than the loan is repaid).

Please note that the taking of security can be a complicated process, therefore there may be delays in the transfer of loan funds.