

Guidance Notes October 2018 (updated)



Innovation Investment Loan (i3)



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Copies of this guidance are available in an alternative format upon request

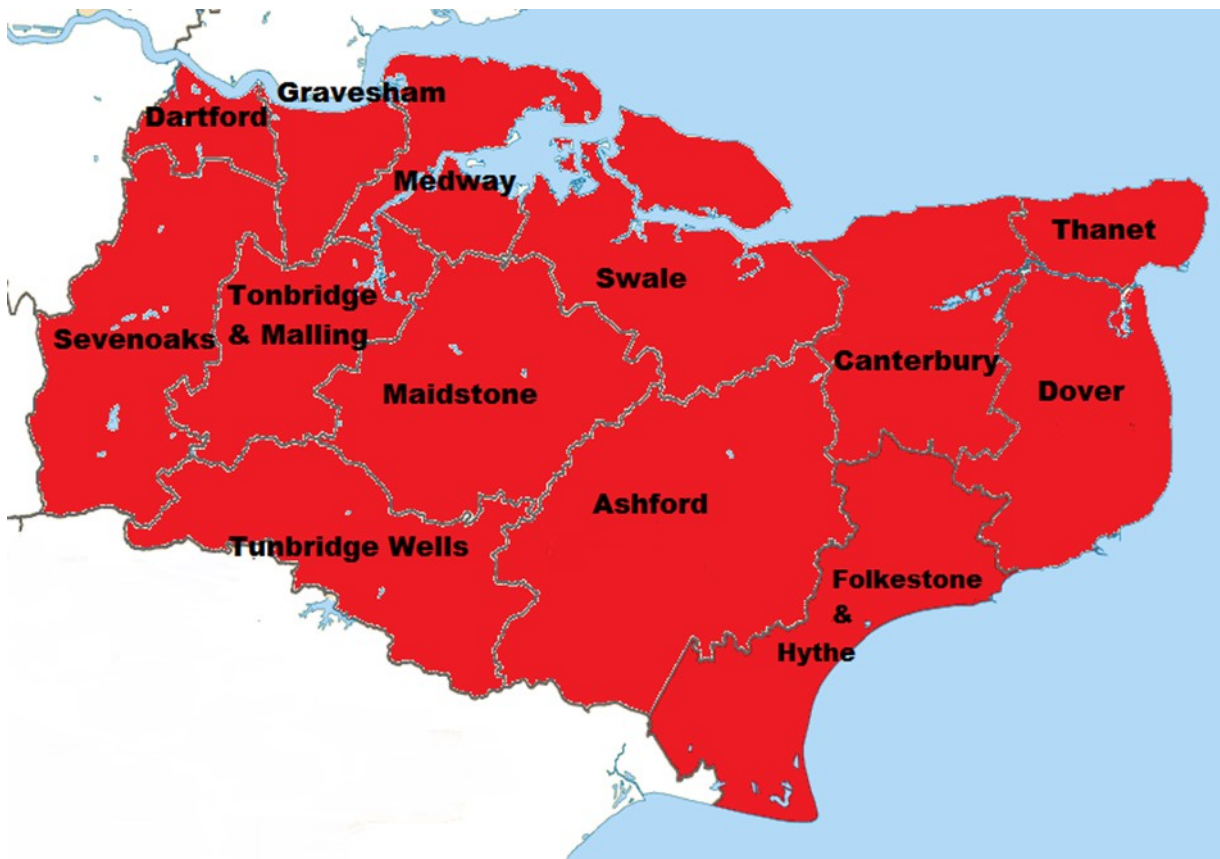
1. What is the Innovation Investment Loan?

The Innovation Investment Loan (i3), supported by the South East Local Enterprise Partnership, Local Growth Fund, has available over £2m of loans to businesses.

This scheme is managed by Kent County Council and offers 0% loans to small and medium sized businesses with the potential for innovation and high growth within the local authority eligible areas listed below.

Loans between £200,000 and £999,999 will be available within the eligible area to develop new or expand existing products, services, or processes, where these will lead to sustainable new employment.

2. The eligible area



Innovation Investment Initiative (i3) Eligible Area.

The local authority areas of

Ashford, Canterbury, Dartford, Dover, Gravesham, Maidstone, Medway, Sevenoaks, Folkestone & Hythe, Swale, Thanet, Tonbridge and Malling, Tunbridge Wells are highlighted in BLUE above.

Within the eligible area there are designated assisted areas: Dover (Wards of Eastry, Little Stour and Ashstone, Sandwich), Medway (Wards of Chatham Central, Gillingham North, Peninsula, Rainham Central, River, Rochester South and Horsted, Twydall, Watling), Swale (Wards of Chalkwell, Iwade and Lower Halstow, Kemsley, Milton Regis, Murston, Queenborough and Halfway, Sheerness East, Sheerness West, Woodstock), Thanet (Wards of Beacon Road, Bradstowe, Central Harbour, Cliffsend and Pegwell, Cliftonville East, Cliftonville West, Dane Valley, Eastcliff, Garlinge, Kingsgate, Margate Central, Nethercourt, Newington, Northwood, Salmestone, Sir Moses Montefiore, St Peters, Thanet Villages, Viking).

3. Who can apply?

You can apply for a loan if you meet the following criteria:

Type of business	Sole trader, partnership, limited company; or a not for profit business.
Size of business	You must employ less than 250 employees.
Loan amount	The minimum loan is £200,000, the maximum £999,999. Your loan cannot constitute more than 50% of your total eligible costs e.g. a proposal totalling £400,000 can only receive a maximum of £200,000.
Purpose of the loan - Greater commercialisation of innovation and increased productivity	Your application should seek to exploit and develop new technologies, products and services, leading to increased productivity. Through investing in new plant, machinery and equipment where this will increase capacity, reduce waste and deliver economies of scale.
Increased employment	Your application should seek to increase your capacity for innovation and business growth by creating direct jobs within your business.
Priority sectors for loan	Health and Social Care, Food Technology (<i>see Glossary or Terms for examples</i>), Manufacturing, Low Carbon Technology, Pharmaceuticals & Life Sciences, ICT Software Development and Information Management, Media, Creative and Cultural Industries, Marine Ports and Logistics and Technological Development.
Ineligible Sectors	Fisheries and aquaculture, Primary production of agricultural products, Processing and marketing of agricultural products, Coal, Steel production, Shipbuilding, Synthetic fibres, Schools, colleges and other educational provision, Franchises, Defence sector activities, Professional services such as accountants, legal, financial and insurance, Tourism and leisure activities (except in the designated Assisted Areas – see Section 2), Road haulage, distribution and warehousing, Energy generation.

4. Eligibility criteria

You can apply for a loan if you meet the following criteria:

Employment & economy	Your application must create either full-time or part-time jobs under a contract of employment.
Demonstrate need	You have sought funding from other financial institutions and without an Innovation Investment Loan your business proposal cannot go ahead or would progress at a slower pace.
Viability	Your organisation must be financially viable, and have capacity to grow and be sustainable for future income generation.
Private sector match funding	Your application requires match funding– see Appendix 2 .
Number of applications	You can only submit one application at any one time.
Repayment	Your loan will need to be repaid within a period of 5 years. No balloon payments are permissible. Repayments will be by monthly Direct Debit.

5. Eligible and ineligible costs

Your loan will cover 50% of all the eligible costs of your application. These can include capital costs and some overheads, of up to a maximum of £999,999. When we assess your application we may need to discuss your costs in detail and this may result in some items being excluded.

Capital Costs

By capital costs we mean land, buildings and equipment, see [Appendix 1](#).

Overheads

Overheads are costs which are necessary for your organisation to operate. Typically they include overall management, administration (staff costs) and costs of premises where these costs relate directly to your application.

Ineligible costs:

There are some costs which we are unable to fund. These include:

- patents rights; licences, know-how; unpatented technical knowledge;
- costs or expenditure incurred before you accept our offer of funding;
- funds to build up a reserve or surplus eg cash flow;
- other loan repayments;
- any equipment which is not essential to your proposal;
- vehicles of any kind;
- notional costs and costs that will never be incurred.

Your proposal must demonstrate a requirement for an Innovation Investment Loan. The level of private sector match funding required is 50% of the total eligible costs, eg from your own reserves or a commercial lender– see [Appendix 2](#).

6. Interest rate, arrangement fee, security and credit checks

Interest Rate

A zero percent interest rate will be chargeable.

Fees

An arrangement fee of 5% will be deducted from your loan following its approval (your offer in principle letter). This will cover the cost of setting up your loan, it's approval and monitoring over the repayment period of the loan.

Contract variations will be charged at £300.

Credit Checks

Please note that all necessary background and credit checks (company and director) will be undertaken and by submitting your Full Application, you are authorising these checks to be made.

Security

Security will be requested on your loans, see Appendix 3 for details. Kent County Council's legal fees incurred in taking security will need to be met by the Borrower in full (and will deducted from the loan).

7. Pre-application

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

- the eligibility of your organisation and your proposal;
- whether your proposal meets the loan objectives;
- whether you have funds available to support your proposal;
- your eligibility to proceed to full application.

Your pre-application, upon receipt, will be acknowledged within 3 working days. This is an automated reply from the online system.

The Programme Management Team will contact you by the **14 December 2018** either inviting you to submit your full application or confirming, with feedback, why we are unable to take forward your application. An Information event will be held on the **19 December 2018** for those invited to submit a full application to discuss their proposal with the Programme Management Team.

8. Business Plan guidance

Your business plan is an essential part of the full application.

Your existing business plan will remain “commercial in confidence”. Feel free to “cut and paste” from the plan to the form, marking with a reference. However, it is essential that you complete **ALL** the answers on the form and do not just refer to your plan unless asked to.

The business plan must be specific to your proposal but should also refer to how your proposal links to any other parts of your business already in place, if appropriate.

The business plan must (at least) contain details of:-

- your business name, status, address, and some details of your history;
- your business objectives and strategy;
- business financing details;
- cash flow and forward trading estimates;
- anticipated future costs and when they are likely to arise;
- information on your company’s products and markets ;
- your strategy for managing key risks (e.g. loss of key staff)

9. Full application and supporting documents

A link to the online full application form will **only** be provided following your pre-application being approved.

Your full application and supporting documents will need to be completed and submitted to the Programme Management Team by the 09:00hrs on **28 January 2019**. Applications received after 09:00hrs will be rejected.

On-line Form— Please complete, print out date and then sign. This document can then either be posted or emailed to the Programme Management Team.

Supporting Documents— These documents can be submitted electronically in a zipped folder to innovationloan@kent.gov.uk. This folder should include:

- an up-to-date business plan;
 - a completed copy of the [Project Profile](#) (excel spreadsheet);
 - up to 3 years' statutory audited, unaudited or draft accounts (for existing businesses);
 - your last 3 months' management accounts and aged debtor/creditor list (for existing businesses);
 - at least 2 years' projected balance sheet, profit and loss and cash flow (**in a monthly format, to include forecasted loan repayments**);
 - your last 6 months' bank statements;
 - **a completed** [De Minimis Declaration](#);
 - detailed CVs for the company directors, management team and, if applicable, key project staff;
 - confirmation of offers of financial support eg match funding– [Appendix 2](#).
- If relevant:-
 - a copy of any planning approval or licence;
 - in the case of a not-for-profit business please enclose a copy of the relevant clauses from your memorandum and articles of association, rules or governing documents, which relate to how the organisation distributes profits.

Please ensure all the above documentation is submitted with your full application. Any incomplete and unsigned applications will be rejected upon receipt.

10. Appraisal of your application

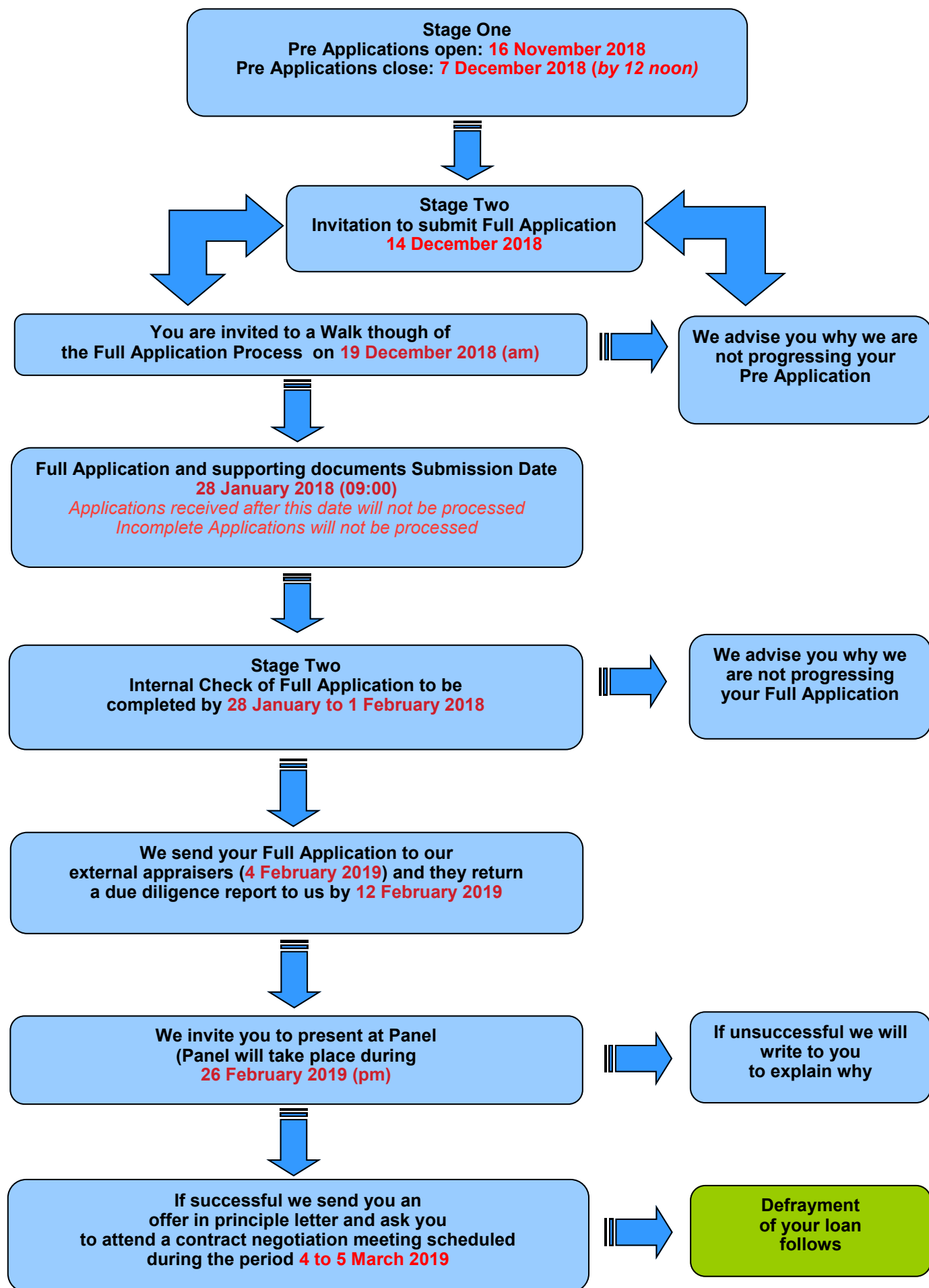
All proposals and supporting documents must be the property of the applicant and must not infringe any existing patent or copyright and all applications will be deemed “commercial in confidence”.

On receipt of your full application and supporting documentation, the Programme Management Team will undertake an internal document check. All full applications will be appraised within 40 working days. In addition, the Programme Management Team will also make recommendations to the Approval Board. Final decisions on awarding or withholding investment will be at the discretion of Kent County Council.

If your full application is successful following your attendance at the Approval Board, you will be sent an offer in principle letter detailing the level of your loan and any conditions attached to it. This will constitute part of the contract with Kent County Council as the Accountable Body for the Innovation Investment Loan scheme.

If your investment proposal is unsuccessful, then your letter will provide information on the reason for this decision. Detailed feedback will not be provided. All decisions to award or refuse an application are final and there is no right of appeal.

11. Application Process– for full details refer to 7, 8, 9 and 10



Glossary of Terms

Additionality	You must describe the additionality of your proposal and the ways in which this will be achieved. For example, demonstrate the reasons why your loan is necessary to enable your proposal to succeed. Provide the reasons why the project would not go ahead without the loan.
Food Technology	Food analytics, food waste and food rescue, food packaging, online food ordering, clean food production, taste science, free from production, food preparation and presentation.
Fees	An arrangement fee of up to 5% will be applied to your loan following its approval (your offer in principle letter).
Jobs created	A job that must last for 2 years from receipt of loan, and is under a contract of employment with the company. Sub-contractor contracts are not permissible.
Jobs safeguarded	A job that would otherwise have ceased to exist within 15 months from receipt of loan.
Loans	Loans are offered at 0% interest to eligible businesses with flexible repayment terms within certain parameters.
Not for profit business	Either: <ul style="list-style-type: none"> • Charities • Community Interest Companies (CIC) • Companies limited by guarantee • Industrial & Provident Societies
Small and medium sized enterprises (SME)	The EU defines small and medium sized enterprises (SMEs) as: <ul style="list-style-type: none"> • employing less than 250 people • having a balance sheet that is less than €43 million • annual turnover less than €50 million pa

Appendix 1 - Eligible Expenditure

<p>Capital costs and overheads - These include assets relating to land, buildings, plant, machinery and equipment. Assets can be purchased outright or by using lease finance or hire purchase.</p>	
<p>Land – purchase buildings – purchase</p>	<p>These can be funded as part of a bigger investment proposal. Your loan can fund expenditure relating to an area of land or building which does not constitute more than 50% of the overall business proposal. Planning permission and building warrant costs are eligible. Acquiring land/buildings cannot commence before your loan is approved.</p>
<p>Land development/ works</p>	<p>These can be funded as part of a bigger investment proposal. Your loan can fund expenditure relating to an area of land or building which does not constitute more than 30% of the overall proposal. Development works cannot commence before funding has been approved.</p>
<p>Buildings – construction/ improvement</p>	<p>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.</p>
<p>Certain professional fees</p>	<p>Your loan is able to fund “certain professional fees” but these are limited to the development of capital projects. We can therefore support both pre-contract professional fees, eg design or technical advice relating to value for money/reasonableness of cost and post-contract professional fees e.g. project management can be included. As a rule, professional fees for architectural, landscape design and engineering services can only be funded up to a maximum level of 10% of the total building costs. Up to an additional 5% may be granted for projects with a particularly intensive planning element, e.g. work on protected buildings or technically complex projects. Legal fees are not eligible.</p>
<p>Fixtures & fittings</p>	<p>There is no definitive list of what is an eligible fixture or fitting. The rationale is that such items are deemed as those items essential to the delivery of the project eg the purchase of a PC to be used to deliver a training course. In such cases, the onus is on you as the Borrower to fully justify the need for the proposed items of equipment. Each project is treated on its own merits. Additionally in the case of moveable equipment, there must be an assurance that the equipment is for the sole use of the project and the benefit is maintained within the eligible area.</p>
<p>Equipment & machinery</p>	<p>Equipment and machinery must be relevant to the proposal. 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.</p>
<p>Leases</p>	<p>Under your loan the cost of new leases on land or buildings can be capitalised as eligible assets. Therefore we expect 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.</p>
<p>Wage costs for <u>new</u> employees</p>	<p>Your loan can contribute towards wage costs payable by you, the employer, in respect of the employment concerned, to include gross wage, before tax, and includes compulsory social security contributions (Employer’s NI, SSP and SMP).</p>
<p>Ineligible costs - These include assets acquired from third parties by the transfer of technology/ knowledge; Patent rights; Licences; Know-how & Unpatented technical knowledge.</p>	
<p>Queries regarding the eligibility of various items of expenditure should be raised with the Innovation Investment Loan Programme Management Team.</p>	

Appendix 2 - Eligible types of match funding

Bank loan	Copy of Bank Loan contract document duly signed / in force, confirming funds (£ value) have been provided to your Company. N.B. if the loan contract is not new, then a copy of the current business bank account statement showing that the loan provided remains available to the Company (i.e. not already exhausted).
Company own funds	Refreshed copy of current business bank account statement showing that the funds (£ value) remain available to the Company (i.e. not already exhausted).
Overdraft facility	Copy of letter from Bank confirming overdraft facility available, together with a copy of the current business bank account statement showing that the overdraft remains available to the Company (i.e. not already exhausted).
Own funds including Owner, Partner's, Director's, Member's loan	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).
Pension funds from company	Trustee resolution confirming funding (£ value) available to the Company.
Private investor/ new share capital/ new equity investors	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).
Shareholder contributions	Shareholder agreement duly signed / in force confirming funds (£ value) have been provided to your Company, or Company bank statement showing credit values into the accounts identifying the shareholder contribution. 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).
The potential use of other types of match funding can only be undertaken with the express approval of the Innovation Investment Initiative Programme Management Team (innovationloan@kent.gov.uk).	

Appendix 3 – Security

Security

Security will be required for your loan and will be applied on a discretionary basis. There are a number of requirements for this security:-

- It must have real value. We may require an independent valuation of the asset used as security (at a cost to yourself).
- The value must be at least equal to the loan capital and administrative payments 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 Kent County Council 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 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 payment charge will apply. However, where the value of the security reduces for reasons beyond their control, this will not be deemed an unauthorised payment.
- We do not permit a principal private residence to be used as security.

Examples of security are:-

- Commercial property
- Intellectual property (copyright, trademarks, designs and patents)
- Certain business assets such as debtors or specific contracts
- 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 lengthy process. Therefore this should be taken into consideration.

Appendix 4 – Business Support Services within Kent

Kent and Medway Growth Hub

Email: business@kentandmedwaygrowthhub.org.uk
Web: www.kentandmedwaygrowthhub.org.uk
Tel: 0300 456 3565

Description of support:

A telephone, web and face to face service that can help businesses find out what business support is available nationally and locally, and how to access it.

Business Support—District Links

Ashford (www.ashford.gov.uk)

Canterbury (www.canterbury.gov.uk)

Dartford (www.dartford.gov.uk)

Dover (www.dover.gov.uk)

Gravesham (www.gravesham.gov.uk)

Maidstone (www.maidstone.gov.uk)

Medway (www.medway.gov.uk)

Sevenoaks (www.sevenoaks.gov.uk)

Folkestone & Hythe (www.folkestone-hythe.gov.uk)

Swale (www.shepway.gov.uk)

Thanet (www.shepway.gov.uk)

Tonbridge & Malling (www.tmbc.gov.uk)

Tunbridge Wells (www.tunbridgewells.gov.uk)

Suggested Sources of Match Funding—Banks

Bank	Representative(s)	Contact Details
Barclays	Mr Alan Bracken	alan.x.bracken@barclays.com
Handelsbanken	Mr Andy Davies Mr Gavin Coleman	anda42@handelsbanken.co.uk gaco04@handelsbanken.co.uk
HSBC	Mr Iain Hawthorn	iainhawthorn@hsbc.com
Lloyds	Ms Rebecca Wicks	Rebecca.wicks@lloydsbanking.com
NatWest	Mr Stephen Clare	Stephen.clare@natwest.com
Royal Bank of Scotland	Mr Sukh Majhail	sukh.majhail@rbs.co.uk
Santander	Mr Colin Berkeley	colin.berkeley@santander.co.uk

Remember email your signed Full Application and supporting documentation, in a zipped folder to: innovationloan@kent.gov.uk

Zipped Folder Checklist – any missing items will prevent your Full Application being progressed

Item	Description	Tick
1	Signed Full Application	_____
2	Completed Project Profile spreadsheet	_____
3	Business Plan	_____
4	3 years' statutory audited, unaudited or draft accounts	_____
5	Last 3 months', management accounts and aged debtors/creditors	_____
6	2 years' projected balance sheet, profit and loss, and cash flow	_____
7	Last 6 months' bank statements	_____
8	A completed De Minimis Declaration	_____
9	Detailed CVs of Directors and Management Team	_____
10	Confirmation of offers of financial support eg match funding	_____
11	Security Questionnaire	_____
12	Individual Director Consent to Credit Checks (one for each director)	_____
13	Document Checklist	_____
If relevant		
14	A copy of any planning approval or licence	_____
15	Memorandum and Articles of Association	_____

