

Kent and Medway Business Fund (KMBF) Loans

Guidance for Prospective Applicants



HM Government



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About the scheme

This scheme is funded by recycled loan repayments from the former Regional Growth Fund (RGF) schemes (Expansion East Kent, TIGER and Escalate). This guidance relates to applications submitted from November 2023.

This scheme is designed to support:-

- Established small businesses with a good track record, looking to grow and seeking a larger loan than that offered by the KMBF Small Business Boost loan scheme.

Applicants may not use the Kent and Medway Business Fund to repay any existing finance or recovery loans, including the Coronavirus Business Interruption Loan (CBILS) or Business Bounce Back Loan (BBBL). KMBF loans must be used to drive growth in businesses through capital investment, examples of which are illustrated below:-

Tangible Assets



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

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 in Kent and Medway, and adapt to the changing markets in which they operate through innovation, increasing capacity, improving productivity and/or developing new, or expanding existing products. Applicants must also demonstrate their commitment to net carbon zero and be prepared to give examples of existing supply chains within and outside Kent and Medway.

Intangible Assets



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

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.
- All projects must demonstrate innovation.

All applicants must agree to provide case studies to enable 'good news' stories to be shared.

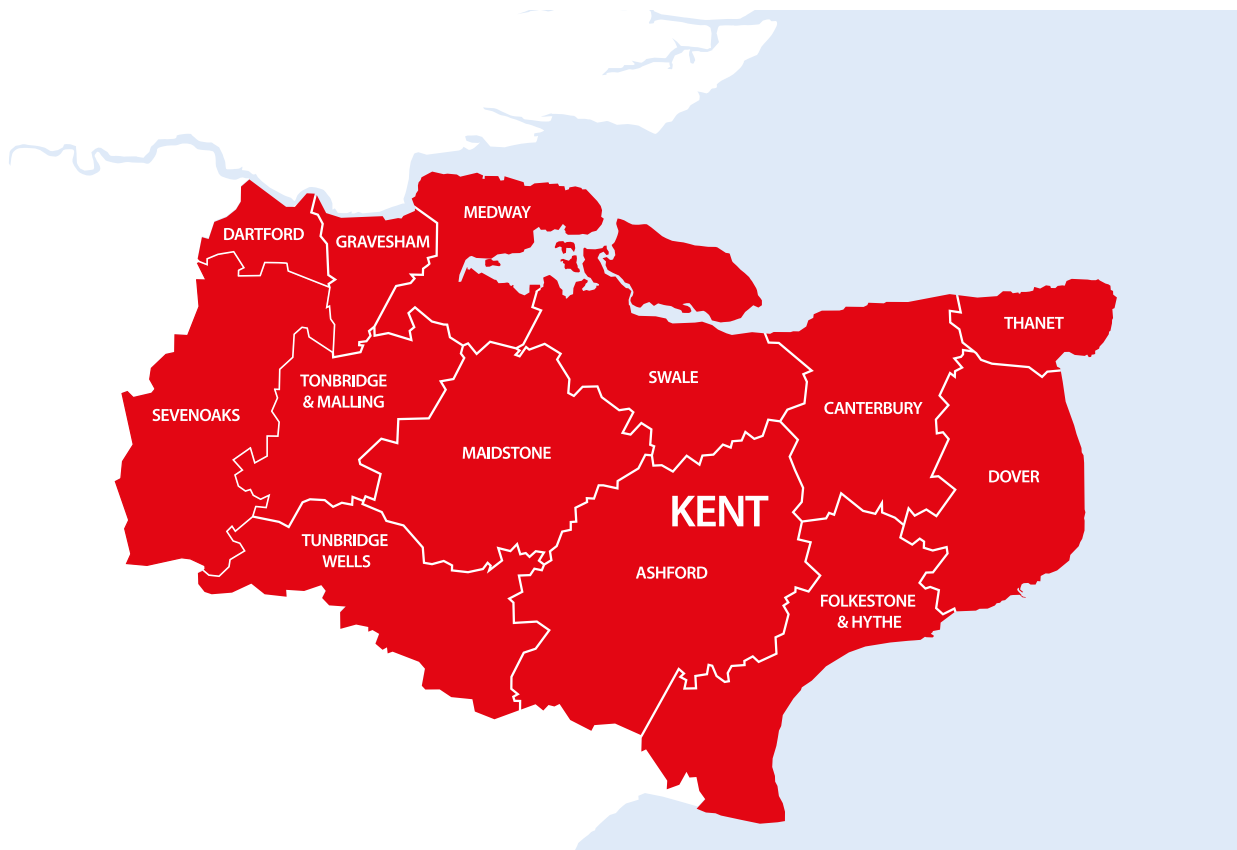
Employment Costs



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

KMBF Eligible Area

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



KMBF Funding Available and Lending Criteria

This scheme provides financial support of between:-

£100,000 and £600,000 to small and medium-sized businesses (SMEs, defined as those with fewer than 250 employees) in the form of repayable business finance, sometimes referred to as interest free (0%) or soft loans (see **Glossary**) with:-

- An administrative charge of 10%¹ of the loan capital (taken at the point of defrayal of loan funds).
- A 6-month initial repayment free period with the loan then paid back over a 5-year period for all applicants, variable repayment profiles may be accepted.
- 0% rate of interest.
- Security will be required for all loans but commensurate with risk. (see **Appendix 6**). Personal Guarantees may also be required from all the directors and/or owners for at least the value of the loan capital.

The repayment period is up to 5 years. No repayment will be required in the first 6 months. Although 0% interest loans are our standard offer, in Exceptional Circumstances, and in order to mitigate the level of risk posed by an application, or to offer longer repayment terms, interest may be charged. The loan will be interest free if repaid in full within 5 years.

A one-off administration fee of 10%² of the value of the loan will be deducted from the loan at the point of defrayal of funds to cover the Council's administrative costs. The Council reserves the right to recharge its additional costs incurred in the event of requests by the applicant to vary the loan or to provide alternative security.

The KMBF scheme will only offer financial support where the purpose of the loan is wholly or predominantly for the purposes of a business carried on, or intended to be carried on, by you. The loan cannot be used for any other purpose.

SUBSIDY CONTROL

As all loans provided under the KMBF scheme will be funded from public monies, the Council must ensure that the subsidy is provided in a way which complies with the UK's subsidy control rules. The general basis for providing a 0% interest loan to eligible organisations will be to rely on the minimal financial exemption under the Subsidy Control Act 2022, provided the organisation concerned still has sufficient entitlement remaining as part of the £315,000 allowance permitted under section 36(1) of the Subsidy Control Act 2022. You must tell the Council if you have utilised any of the £315,000 allowance as part of your application. In certain circumstances, the Council may rely on an alternative subsidy control basis to administer the loan, as it considers appropriate. The Council will inform you of the subsidy control basis it intends to rely on if your loan application is successful.

Chapter 2 of the Subsidy Control Act 2022 prohibits certain categories of subsidy from being awarded. This means that the Council will need to carefully review your application documentation to ensure that the nature of the support proposed is compliant with subsidy control rules, and make sure that any support provided to you will not constitute a prohibited subsidy.

If a loan application is successful, and the total value of the subsidy provided exceeds £100,000, the Council will be required to publish prescribed details of the subsidy on the UK's subsidy database to ensure compliance with the transparency requirements under the Subsidy Control Act 2022. This means that basic details about the nature of the subsidy awarded will be made publicly available in the interest of transparency to the public and will include publication of the information outlined in regulation 3 or regulation 5 of The Subsidy Control (Subsidy Database Information Requirements) Regulations 2022.

¹ The administrative charge may be different in some circumstances depending on the nature of the borrower and security type.

² The administrative charge may be different in some circumstances depending on the nature of the borrower and security type.

Who can apply?

Applicants must be able to evidence that they will not be over-extended and will be able to repay all loans, remain solvent and grow substantially and sustainably. You can apply for investment support from KMBF if you are located in and can demonstrate spend and activity in the Kent and Medway eligible area and meet the following criteria:-

- **Viability** – Businesses must be viable and not in difficulty. Applicants must show that at the time of submitting their application their business is neither subject to collections nor collective insolvency proceedings, debt restructuring, liquidation or similar.
- **Private sector match funding of 50%** – The investment proposal requires you to also obtain support from other funding sources (see **Appendix 4** below for further details). We will ask you about this when you submit your pre-application and you must evidence this match funding at the point of making your full application.
- **Type and size of business** – KMBF will only fund small and medium sized enterprises (SMEs) i.e. those employing fewer than 250 people (see **Glossary** for definition). You may be a sole trader, partnership,

limited company, or a not-for-profit business (see **Glossary** for definition). Businesses must be able to show a good track record of success and realistic projections for growth, substantiated by accounts, and with realistic plans to increase turnover and employ additional staff. Business owners must demonstrate that they have the experience and expertise to take growth plans forward.

- **Protecting or creating jobs** (see **Glossary** for definitions) in the KMBF Eligible Area (see **Map** page 3 with eligible areas indicated in red). An eligible investment proposal must be used to create jobs in Kent and Medway. Your proposal may also protect jobs in the eligible area. You also need to demonstrate how your proposed investment will protect or create jobs within your supply chain in Kent and Medway.
- **Size of loan** – Your application for a loan must be for at least £100,000 and no more than £600,000.
- **Innovation** - Your project must demonstrate innovation (see **Glossary** below for definition)

Additional eligibility criteria can be found in **Appendix 1**.



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What will KMBF pay for?

The minimum loan is £100,000. The maximum loan is £600,000. The scheme will normally contribute up to 50% of total eligible costs in your business proposal and must be matched by other sources of investment (**Appendix 4**). In the case of a 50% loan with an eligible investment totaling £250,000, the maximum loan contribution the Council may award would be potentially £125,000. You must be able to demonstrate that you have the available 50% match funding from alternative sources prior to any KMBF loan being agreed in principle.

An eligible investment proposal must be used to create jobs in Kent and Medway and promote economic growth. Your investment may also protect jobs in the eligible area. Businesses will also need to demonstrate how their proposed investment will protect or create jobs within their supply chain in Kent and Medway.

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 finance or hire purchase (see **Appendix 2**).
- **Funding intangible assets** – This includes assets acquired from third parties by the transfer of technology or knowledge (see **Appendix 2**).
- **Funding wage costs for new permanent employees** – (see **Appendix 2**).

Please refer to **Appendix 2** for a detailed list of eligible expenditure.

The Council can occasionally signpost you to wrap-around business support where available, at no cost to your business. Full details of this support will be provided.

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What KMBF cannot fund

PARTIAL ELIGIBLE SECTORS

- Primary production and processing of agricultural products. Restriction only to expenditure related to the cultivation of soil, planting, raising and harvesting crops, feeding and managing animals. The restriction does not apply to expenditure related to non-agriculture diversification or innovative activities related to agriculture i.e. new products, processes and services.

NON-ELIGIBLE SECTORS

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

- Organisations engaged in political activity or lobbying at any level or activity of an exclusively religious nature.
- Franchises.

We also acknowledge that for some investment proposals it may be difficult to easily define within which sector they fall. Therefore, please submit an on-line pre-application form so that the KMBF Programme Management Team can undertake an initial assessment of eligibility (see **Section 8**).

KMBF funding cannot support any project which has commenced and/or any element of a project where eligible costs have already been incurred. Retrospective funding applications cannot be considered.

KMBF Application Process

Please allow at least three months for the application process. Some secured transactions can take longer.

STAGE ONE

Submission of an online Pre-Application.



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

STAGE TWO

Invitation to submit a Full Application.

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

Late submissions will not be accepted.

STAGE THREE

Internal document check by the Council of your Full Application.



We advise you why we are not progressing your Full Application.

Your Full Application and our due diligence are passed to our External Appraisers.



External Appraisers report is provided to the Board.

STAGE FOUR

Applications are considered by the Kent and Medway Investment Advisory Board.



If you are not recommended for approval we will write to you to explain why.

STAGE FIVE

Board recommendation made to the Council.

STAGE SIX

Decision by the Council officer, in consultation with Cabinet Member, and if successful we will send you an Offer in Principle letter and ask you to attend a contract review meeting scheduled for 2-3 weeks after your meeting with the Investment Advisory Board.



Subject to successful completion of loan documentation, defrayment of your loan monies.

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 received 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 applicants will be provided with feedback and given the opportunity to re-apply if further information shows that the eligibility criteria can be met. This does not guarantee that funding will be made available on re-application.

A copy of the **Full 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.

Retail and Personal Services – We are involving all local authorities across Kent and Medway in the decision-making process. This will help to minimise any negative impact KMBF investments may have on existing retail and personal services businesses in their area. This will result in a short extra delay in order for the KMBF Programme Management Team to receive responses back from the local authorities in Kent and Medway.

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 within 25 working days, by the deadline date specified in their approval to progress email, **no extension will be given and late submissions will not be accepted**.

This will allow sufficient time for full applications and the supporting documents to be checked and appraised by our external appraisers prior to an Investment Advisory Board meeting at which you will present.

Your project should reflect what was agreed and approved at the pre-application stage and any proposed changes must be submitted for approval prior to the full application stage or they will not be permitted.

SUPPORTING DOCUMENTS

These documents can be submitted electronically in a zipped folder to **kmbf@kent.gov.uk**.

This folder should include:-

- A 3-year business plan detailing your business history and future plans. The plan should include a strong detailed realistic sales and marketing element. See **Appendix 5** for what should be included in your plan.
- A completed copy of your Project Profile (Excel spreadsheet – template provided).
- 3 years' statutory audited, unaudited or draft accounts, where available.
- 3 months' management accounts and aged debtor/creditor lists.

9 Full application and appraisals continued

- 6 months of business bank account statements.
- Projected balance sheet, profit and loss and cash flow (in a monthly format, to include forecast loan repayments) – (Excel spreadsheet 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 (match funding) from other sources for the proposal.
- A copy of your Equal Opportunities Policy (template provided if required). As a public sector organisation, we have a Statutory duty to comply with the Equalities Act 2010. As a result, we must ensure that the Kent and Medway Business Fund loan is given in line with our Equality and Human Rights Policy. This is done through the provision of your company's Equal Opportunities & Diversity Policy, requested at the time of full application.
- A statutory credit report for each of the directors of the business, from a **recognised credit agency**, such as Experian, TransUnion or Equifax. This is in addition to the signed consent to credit check form.
- A signed individual consent to credit check form for each of the owners, owners/partners/ directors – template provided to enable the Council and its third-party contractors to undertake the necessary due diligence.
- Evidence of security or assets over which security could be held/taken if required. Please check carefully if this security has already been provided to other third parties and obtain relevant consents before offering security to the Council.
- A copy of any planning approval or licence(s) if relevant to your application.
- A copy of all up-to-date quotes relevant to your application.
- 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.

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

We will also calculate the value of subsidy control as applied to your project and will send you a Minimal Financial Assistance Notification for signature. As your loan will be funded from public monies, the Council must ensure that the subsidy is provided to you in a way which complies with the UK's subsidy control rules. **Failure to return a signed copy of the notification will result in your application being withdrawn.**

Please note that when you submit a KMBF application, your business must also agree to the Council seeking necessary credit references or reports (a permission form is provided at the full application stage). Your application cannot proceed until 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. Applications will be shared with the Board, whose membership comes from the Council membership and from external appointments, and appointments from other local authorities.

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 the Council may need to raise questions with applicants to clarify issues or request additional information. The independent appraisers will make recommendations to the Kent and Medway Investment Advisory Board, which in turn will make a recommendation to the Council.

9 Full application and appraisals continued

FULL APPLICATION TIPS

You might find it useful to collate and prepare your evidence in the following order, **but please do not submit your full application until you have all the documents below, as appropriate.**

1. Quick Wins

- CVs / Pen portraits
- Consent to Credit Check
- Statutory Credit Check Full Report
- Equal Opportunities Policy

2. Financials

- Bank statements
- Statutory accounts
- Management accounts
- Cashflow/P&L/Balance sheet
- Match funding evidence

3. Business Plan and other documents

- Business Plan
- Planning approval / licenses
- Lease or property purchase documents
- Evidence of security
- Quotes

4. Project Profile and online full application

- Project Profile spreadsheet
- Online full application

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Funding Recommendation by the Board

All applications which have successfully completed the pre and full application due diligence will be considered by the Investment Advisory Board (IAB) to whom you will be asked to present your application. The Board will take into account the capabilities of the applicant's management team and the business proposal – (for guidance, see **Appendix 8**), this will be considered alongside market standard credit ratings. The Board will make a recommendation to the Council but the decision on whether to award or decline to fund the business will be made at the discretion of the Council.

If your application is successful, you will be informed of the decision by email, normally within 10 working days of the Investment Advisory Board meeting when you will be provided with an offer by email detailing the level of finance on offer 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 the decision taken.

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 in Kent and Medway, and expenditure for which we will require evidence such as employment contracts, payroll evidence and invoices for any purchases you have made for the project.

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

Web: www.kmbf.co.uk





Glossary

Additionality	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, such as evidencing that applications to high street lending institutions have been unsuccessful.
Exceptional Circumstances	Circumstances including but not limited to:- <ol style="list-style-type: none">1. where the cost or risk profile of the application falls outside of the usual risk appetite of the external appraisers, the Board, or the Council;2. where in the Council's absolute discretion and following any recommendation to approve an application received from the Board, the Council may determine to award funding but make this subject to the provision of additional security, over and above the usual security required; or3. where the Council, in its absolute discretion assesses that interest should be charged to mitigate a higher risk application.
Innovation	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 within the KMBF eligible area and innovative in terms of your business type or sector, process, service or product.
Jobs created	A job that must last for 3 years from the receipt of KMBF funding.
Jobs protected	A job that would otherwise have ceased to exist within 12 months without receipt of KMBF funding.
SME	Small and Medium Sized Enterprises (SMEs) are defined by the Companies Act 2006 to be a SME if they fall within certain size limits set for a financial year, if two out of the three of the below limits are met (aggregating the relevant figures for each member of the group):- <ol style="list-style-type: none">1. Turnover not more than £43.2 million (gross), £36 million (net).2. Balance sheet total not more than £26.6 million (gross), £18 million (net).3. Monthly average of employees not more than 250.
Loans	KMBF loans are offered at 0% interest to eligible businesses. Although 0% interest loans are our standard offer, in Exceptional Circumstances and in order to mitigate the level of risk posed by an application, or to offer a longer repayment term, interest may be charged. The loan will be interest free if repaid in full within 5 years.
Types of not-for-profit businesses (see below for definition)	Either:- <ul style="list-style-type: none">• Charities• Community Interest Companies• Companies limited by guarantee• Industrial and Provident Societies
Not-for-profit Business definitions	An organisation that aims to do something other than to make a profit for the owners, such as providing a public service. Any surplus is reinvested into the business or used in other ways.
Personal Guarantee	This is a stand-alone guarantee required on a loan and is an agreement from an applicant, director / third party to make loan repayments when the business is not able or fails to do so. The Council recommends that independent legal advice is taken before providing a Personal Guarantee.

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, protect or create either full-time or part-time jobs within the business.
- **Demonstrate need** – The applicant must be able to demonstrate the need for KMBF investment and financial support.
- **Viability** – The organisation undertaking the investment proposal must be viable, have good growth potential and be self-sustaining after the investment. Applicants must show that at the time of submitting their application their business is neither subject to collections nor collective insolvency proceedings, debt restructuring, liquidation or similar.
- **Private sector match funding** – The investment proposal requires support from other funding sources (see **Appendix 4** below for further details).
- **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.
- **Repayment** – In the case of applications from profit making organisations we would normally expect all loans to be repaid in full within a period of 5 years. Although 0% interest loans are our standard offer, in Exceptional Circumstances and in order to mitigate the level of risk posed by an application, or to offer longer repayment terms, interest may be charged.
For all types of applications, the payment profile and the offer of repayment holidays is at the Council's discretion, and 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 due by monthly Direct Debit.
- **Applicants in receipt of RGF funding** – Applicants who have received funding from the former RGF schemes (Expansion East Kent, TIGER and Escalate) or previous rounds of KMBF, will only be able to proceed with an application if:-
 - a) their applications remain within Subsidy Control Rules;
 - b) they are up to date on their monitoring and loan repayments at the time of the submission of their pre-application.

Appendix 2 – Eligible Expenditure

Please note that we will ask you about your match funding when you submit your pre-application.

You must be able to provide evidence of the match funding secured at the point of submitting your full application.

Tangible assets	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 provided there is an obligation to purchase at the end of the lease finance or hire purchase period.
Land and buildings purchase	These can be funded as part of a bigger investment proposal. As a rule, KMBF can fund expenditure related to an area of land or building which does not constitute more than 50% of the eligible investment. Planning permission and building warrant costs are eligible. Acquiring land or buildings must not commence before your application for funding has been approved –the Council cannot fund retrospective applications.
Land development / works	These can be funded as part of a bigger investment proposal. As a rule, KMBF can fund expenditure related to an area of land or building which does not constitute more than 30% of the eligible investment. Development works must not commence before funding has been approved - the Council cannot fund retrospective applications.
Buildings: construction and improvement	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.
Professional fees	KMBF is able to fund certain professional fees but these are specifically orientated around the development of capital projects. We can therefore support professional fees, e.g. legal fees associated with the project, design or technical advice relating to value for money/reasonableness of cost and project management,. As a rule, professional fees can only be funded up to a maximum level of 10% of the total building costs. Up to an additional 5% may be granted.
Fixtures and fittings	There is no definitive list of what is an eligible fixture or fitting. The rationale is that such items are deemed as trade and tenant's fixtures and fittings and fixed plant and machinery that are situated on, or form part of a property and are deemed essential to the delivery of the project e.g. a piece of machinery necessary to produce a product being sold e.g. an oven for a bakery. In such cases, the onus is on you as the applicant 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 in the eligible area. One further requirement in cases where items of equipment have been purchased using KMBF funds is that an inventory must be retained throughout the period of the loan facility for audit purposes.

Leased equipment and machinery	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.
Leases	Under KMBF the cost of new leases on land or buildings can be capitalised as eligible assets. Normally we are therefore expecting you 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.
Wage costs for new permanent employees	KMBF can contribute towards wage costs over a period of the 12 months only of your project. 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 created must be maintained for at least 3 years.
Intangible assets	This includes assets acquired from third parties by the transfer of technology or knowledge; 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.



Appendix 3 – Additional Ineligible Activities

KMBF cannot fund what we consider ineligible expenditure such as:-

- **Stock purchases**
- **Purchase of shares of another business**
- **Marketing and advertising costs**
- **Purchase of Goodwill**
- **Funding for working capital**
- **Non-viable investment proposals and businesses**
- **Expenditure already incurred** - Expenditure incurred before a formal offer will be ineligible. Any expenditure incurred between the formal offer and the execution of the loan documentation is eligible but incurred at your own risk. A full application for assistance must be submitted and an offer made and loan agreement executed (and any relevant security documentation executed) before expenditure on an investment proposal is commenced.
- **Subsidy Control Rules** – Any offer of finance assistance that would lead to a breach of Subsidy Control Rules.
- **Limited private sector investment** – KMBF will not provide 100% funding or cover all the costs of an investment and will require you to seek an element of private sector investment (match funding). The types of eligible private sector investments are detailed in **Appendix 4**.
- **Reputation** – Investments which would result in potential damage to the Council and its partners' image and reputation.
- **Activities that are not aligned to the Council's aims and objectives.**

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Appendix 4 – Match Funding

Please note that we will ask you about your match funding when you submit your pre-application.

You must be able to provide evidence of secured match funding approved/awarded at the point of submitting your full application.

The potential use of other types of match funding can be considered and presented to the IAB following review of your proposals by the KMBF Programme

Management Team (for contact details see **Section 11**). Your match funding should reflect what was agreed and approved at the pre-application stage and any proposed changes must be submitted for approval prior to the full application stage or they will not be permitted.

Usually acceptable forms of match funding are indicated below, but the Council reserves the right to decline or accept alternative match funding subject to satisfactory due diligence.

Type of match funding	Minimum requirements to be met to support applications for funding at Full Application stage.	Finalised documentation required at contract stage/prior to release of any funds.
Bank loan	Copy of Heads of terms or conditional signed offer letter provided by the bank/lender. N.B this should confirm offer of funds to you (£ value), and be provided on bank letterhead paperwork or similar and must remain valid and capable of acceptance.	Copy of bank/lender loan contract document/lease/capital investment (plant and machinery) agreement duly signed/in force, confirming funds (£ value) have been provided to you. 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 (i.e. not already exhausted).
Own funds	Copy of current business bank statement confirming availability of funds.	Refreshed copy of the current business bank account statement showing that the funds (£ value) remain available to the business (i.e. not already exhausted).
Overdraft facility	Copy of signed letter from the bank confirming overdraft facility available to the business and amount of overdraft remaining available.	Copy of signed letter from the bank confirming overdraft facility available/together with a copy of the current business bank account statement showing that the overdraft facility remains available to the business and amount remaining available (i.e. not already exhausted).
Own funds including business/owner(s)/partner(s)/director(s)/member(s) loan.	Copy of a current bank statement showing where monies are held confirming availability of funds.	Copy of the current business bank account statement showing that the funds have been provided/transferred to the business/are available (i.e. not already exhausted).
Pension funds from company	Signed letter of commitment from trustees of pension fund.	Trustee resolution confirming funding (£ value) available to the company.

Private investor/new share capital /new equity investors	Copy of Heads of Terms or signed conditional offer letter provided by the investor and that remains capable of acceptance. N.B this should confirm the offer of funds to your company (£ value), and be provided on the investor's letterhead paperwork or similar.	Copy of the 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	Heads of Terms	<ul style="list-style-type: none"> • Shareholder agreement duly signed/in force confirming funds (£ value) have been provided to your company; or • Company bank statement showing credit values paid into the accounts and identifying the shareholder contribution. <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>



Appendix 5 – Business Plan Checklist

Your robust, and realistic business plan is an essential part of the application process, and you must submit a copy of this document along with copies of your full application form and other supporting documentation (see **Section 9** above). Your business plan will remain “commercial in confidence” but will be shared with advisors, officers and Members of the Board (which includes external appointees). 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, as appropriate.

We recommend that your business plan must (at least) contain details of:-

- Your business name, status, address, and some details of your history.
- Your ownership and whether you are part of a group.
- If you are part of a group, details of the group, its hierarchy and its relationship with the investment proposal.
- Why you have chosen the KMBF eligible area to expand your business.
- What your business will deliver in terms of goods, supplies or services.
- What is the function of your product or service, how is it novel or innovative. Indicative sales levels in £s and as a % of turnover in the last three years (if available) and your next planned three year forecast.
- Show which customers (if any) may account for more than 10% of your sales.
- The location of your business, whether situated in freehold/leasehold premises. Are improvements necessary? Are the premises a new-build and is new capital equipment needed?
- How you have established the demand for the goods or services.
- Who are your main competitors and what proportion of the market do they command?
- How you plan to secure a significant and sustainable section of that market?

- Details of your supply chain and which local businesses form part of that chain and indicate your dependence upon them.
- Details of your commitment to reducing your carbon footprint and how you plan to achieve this.
- What is the timeframe for delivering your proposal?
- Who will be running your business? How many people does it employ now and how many over the next five years – with a diagram of the staffing structure.
- How will the business be run? The competence of your staff will have an important influence on the success of your business therefore please include copies of the full CVs for directors, management team and key project staff.
- Which other funders you have approached, what their response was and how you are providing the necessary match funding for the proposal?
- What would you do if funding from KMBF is not available?
- Please state the key milestones of your proposal and when you expect to achieve them (this will be considered to determine when you could receive tranches of your loan if successful).
- Please state the main risks of your proposal and how they can be mitigated i.e. risk, likelihood, impact, mitigation (score 1 for the lowest likelihood of risk or impact and 5 for the highest).
- Financial tables of income, both from capital providers and through the sales of the goods and services developed through KMBF support with dates and values.
- How it meets the Council's objectives from its Key Decision dated 10 October 2023.



Appendix 6 – 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/fail to do so.

SECURITY

For loans of £100,000 and over, security will be required, commensurate with risk. 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 any costs or expenses incurred, over the term of and pursuant to the loan agreement. The Council has discretion to determine whether the security provides sufficient realisable value to cover the loan capital and any costs or expenses incurred over the term of and pursuant to the loan agreement.
- The security must be a first or a second legal charge over an asset held by the applicant. The legal charge will provide the Council with certain rights over the asset used as security where the terms of the loan are

not met. If a second charge, you are responsible for obtaining consent of the entity with the first ranking charge.

- The asset used as security may be replaced during the term of the loan, subject to the Council's prior agreement, and provided the value of the replacement asset is at least equal to 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 (in the reasonable opinion of the Council), 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 ability to make payment if it were to fall due can be evidenced. In this situation it is recommended that independent legal advice is obtained and we will ask that a letter be provided to the Council by you/your legal advisor confirming that independent legal advice

has been sought and the relevant party(s) are content to proceed with providing the security or in the alternative the party(s) have been advised to take independent legal advice and have chosen not to do so but are still content to proceed.

- 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 that the Council would consider and the typical stance taken regarding order of preference is set out in the table in **Appendix 7**.

Please note that the taking of security can be a complicated process, therefore there may be delays in the transfer of loan funds. Please provide all information sought in a timely manner.



Appendix 7 – Security different types

PLEASE NOTE – Security requirements will be considered by the Council on a case-by-case basis, and what security will be the most appropriate, will be subject to a number of underlying factors. We have summarised below the most common forms of security and quasi-security that the Council would consider in a transaction and have ordered these in the Council's standard order of preference. This order of preference below is subject to case-by-case analysis of the Borrower and its available assets by the Council and its advisors.

Potential Forms of Security/ Quasi-Security	Assets Typically Secured/ Obligations to the Council
On Demand Bond/Letter Of Credit	Obligation on third party bond/credit provider to fund on demand.
First Ranking Legal Mortgage/ Charge Over Property	Specific property interests and assets related to it.
First Ranking Third Party Legal Mortgage/ Charge Over Property	Specific property interests and assets related to it.
Other Asset Charge (e.g. a Debenture)	A fixed charge over specific classes of assets and a floating charge over all the assets and undertakings of the company.
Subordinated Legal Mortgage/ Charge Over Property	Specific property interests and assets related to it ranked behind one or more existing creditors.
Subordinated Third Party Legal Mortgage/ Charge Over Property	Specific property interests and assets related to it ranked behind one or more existing creditors.
Share Charge	Shares in the Borrower or another company.
Performance Bond	Obligation on third party to fund issues should they arise.
PCG/Company Guarantee	Payment obligation from a parent company of a Borrower or another company (usually within a group).
Individual Guarantee	Separate payment obligation from an individual.

Appendix 8 – The CAMPARI model

When applying for a KMBF business loan, the CAMPARI model is a useful tool to guide your application.

➤ CHARACTER

This considers your background as a business owner including your skills and successes.

➤ ABILITY

We will want to have confidence in your ability to deliver, your experience, specialist skills and track record.

➤ MEANS

We want to see what assets and liabilities you have built up over time, both personally and within the business.

➤ PURPOSE

We want to know why you need the money and how you're going to use it. A positive impact on the Kent and Medway economy, including boosting the local supply chain and job creation are also key considerations. Demonstrating how you and your proposals meet the eligibility criteria.

➤ AMOUNT

We need to know in full detail why you need the amount for which you're asking and other steps you've taken to secure the investment you need.

➤ REPAYMENT

We need to be confident you will meet repayment terms over the five-year term of the loan. Do not exaggerate forecasts or profit margins.

➤ INSURANCE

We may be required to seek some security in case the repayment arrangements fail. You may need to tell us what assets would be available and their value. If this information provided is subsequently found to be incorrect after the decision to approve the application has been made the loan may not progress.

Appendix 9 – Frequently asked questions

I have not yet set up my business, can I still apply?

We would expect your business to be either incorporated or set up as a sole trader or partnership (or other type of business as specified in the Guidance Notes), before or at the time of applying.

What type of purchases can the loan cover?

You can apply for funding for:-

- Tangible assets such as land, buildings, software, machinery and equipment.
- Intangible assets acquired from third parties by the transfer of knowledge or technology.
- Employment costs, for new employees only.

Can I use funding to purchase land and/or property for the purposes of resale?

The purchase of land and/or property for the purposes of residential and/or commercial development and /or resale is ineligible. You may use the loan to purchase land or property for your own business use.

My business is a limited liability partnership (LLP), am I eligible?

Yes. Applications are accepted from Limited Liability Partnerships.

Do I have to have my match funding confirmed when I apply?

It is advisable to consider how you will raise the match funding required before you complete your pre-application as you will be asked about this. You will be expected to provide written evidence of match funding secured when you submit your full application. We are unable to process your full application until satisfactory match funding evidence is provided.

Will I be credit checked when I apply?

Yes. You will be asked to complete a Consent to Credit Check form for each director, owner or partner at the point of submitting your full application. Such Credit Checks may be carried out at any point in time up until any loan awarded and any associated sums have been repaid in full.

Do I have to submit individual credit checks from a Statutory Agency as well as completing the consent to credit check forms?

Yes. We also ask you to apply for, and submit, a statutory credit report from a recognised credit agency in addition to the above, for each director, owner or partner.

Do I need to provide security for my loan?

Security will be required for a KMBF Standard loan. The type of security required may vary, at the Council's discretion, subject to the outcome of the assessment of the level of risk that the application and the business poses.

If I am a sole trader, do I have to have a business bank account?

Yes. Any agreed and approved loan must be paid into a UK business bank account.

How long does the application process take?

We recommend that you allow at least three months from first submitting your pre application to receiving funds. However, this can vary depending on how well your application is completed and whether you have submitted all the documentation required in a timely manner and that it is accurate. One of the main areas of delay experienced with past schemes has been that incorrect information has been provided about security already in place between applicants and other third parties – so please check this carefully before you apply.

Can I choose my own repayment profile?

Yes, to an extent, providing the repayment does not extend over the 5-year loan period. The scheme looks unfavourably at "balloon payments" (unusually large payments due at the end of the repayment period).

How quickly will I receive my loan?

Following a recommendation by the Board, the Council will consider the recommendation and usually make a decision within 10 working days. If successful you will receive an Offer in Principle letter which contains an invitation to a contract review meeting, usually within two weeks. You should receive your loan monies following completion of all requisite legal documentation.

Can the loan cover any costs already incurred?

No. Any expenditure made prior to our approval and completion of the legal documentation would be ineligible, this would also include any deposits paid. All such payments made will be at your own risk.

Can I repay my loan early?

Yes, you can.

Can you offer support with my application?

The Business Investment Team prides itself in offering professional support to businesses at all stages of the application and contract review stages of the process. In addition, we can occasionally signpost you to third party wrap-around business support if required, at no cost to your business.

How often does the Board meet?

The Board meets on a monthly basis. If you are invited to present your loan application to the Board you will be given full details of the procedure and preparations you need to make.

What are my chances of success?

It is difficult to assess with any certainty the potential for success of any application. The final recommendation to support the investment requested rests with the Board. The final decision on whether to award then rests with the Council, which will consider the Board's recommendation but will determine applications at its discretion.

Can I re-apply if my application is unsuccessful?

Depending on the availability of funding, you may re-apply. Any ability to re-apply for the same business proposals will depend on the reasons for the previous recommendation or decision to reject.

If I have had a previous loan, can I apply again?

You may apply for a subsequent loan, depending on the availability of funding. However, you must have either repaid your previous loan in full or have been making repayments towards it, in compliance with the terms of the loan agreement, for at least 2 years. In addition we would expect contractual job outputs to have been satisfied.

KMBF Guidance
Autumn 2023

