

The Scottish Borders Business Loan Fund

Available from the 1st April 2018 to 31st March 2019

Financial Assistance for Small Businesses

GUIDANCE FOR APPLICANTS

1. What is the Scottish Borders Business Fund?

The Scottish Borders Business Loan Fund (SBBLF) offers loans of between £1,000 and £20,000 over terms of up to three years.¹ We operate in conjunction with other commercial lending agencies and applicants should demonstrate that at least 25% of the total project cost is being provided from sources outside of the public sector.

2. What is the purpose of the Scottish Borders Business Loan Fund scheme?

The SBBLF aims to respond to barriers of access to finance by providing small businesses with financial assistance both to develop projects that would not otherwise happen and to meet requirements of the normal business cycle.

3. Who will manage the fund?

The fund will be managed and promoted by Scottish Borders Council, through Scottish Borders Business Gateway. A Business Gateway Adviser will be allocated to each application and be available to provide business development support along with advice on how to complete the application forms but will not complete any of the required documentation on behalf of applying businesses.

4. How will it work?

- Initial enquiries should be made to info@bgborders.com or by telephone to **01835 818226**.
- You will receive an application pack comprising:
 - Application form
 - Personal Declarations
 - Guidance Notes
 - Business Plan template
 - Cashflow Template
 - Required documentation checklist
- It is anticipated that applicants will complete the application form in advance of a meeting/discussion with a Business Gateway Adviser. Depending on your application, this contact will either involve a telephone interview or face-to-face meeting. You will be asked a number of questions about your application particularly around the ability to repay.
- Following this process **you will submit your final application for the fund to Business Gateway** which will then be appraised by the Business Gateway adviser team.
- Appraised applications will then be sent by Business Gateway to a Funding Panel comprising Scottish Borders Council officers from the Economic Development and Finance Teams.

Applications are welcomed for submission before the following deadlines:

- 3rd April 2018
- 15th May 2018
- 26th June 2018
- 7th August 2018

¹ The Loan forms part of the de minimis aid available to the Borrower under Commission Regulation (EC) No 1998/2006 on the application of Articles 87 and 88 of the Treaty to de minimis aid, with reference OJ L 379, 28.12.2006 in the Official Journal of the European Union

- 18th September 2018
- 30th October 2018
- 4th December 2018
- 22nd January 2019
- 5th March 2019

Where an application is submitted before a given application deadline, it will be reviewed, scored and the applicant will be informed of the outcome and provided with the necessary documentation within 4 weeks of the application deadline.

If your application is successful, you will receive a formal written **Loan Facility Offer Letter (and copies of Personal Guarantees where applicable)** and be provided with information on how to proceed.

If your application is unsuccessful, you will receive a formal written notice of decline. General reasons for a decline will be provided but detailed feedback will not be made available. There is no right of appeal and the decision of the panel is final.

5. What type of business can apply?

Only existing businesses can apply for assistance. While businesses across several sectors will be eligible to apply, we anticipate applications from businesses in textiles, tourism, food and drink, tradable services and some retail. **Applications from businesses that sell a proportion of their goods or services to customers from outside the Scottish Borders are desirable, but please note that we are unable to provide loans to small businesses for export related purposes. We will not invest in businesses which are precluded by the relevant State Aid rules.**

Details of the Loan

6. Loan Term

The term is contingent on the amount of the loan:

- For a loan of less than £5,000 – the maximum term is 2 years.
- For a loan of between £5,001 and £20,000 – the maximum term is 3 years
- All loan terms may include a repayment holiday of up to three months (where approved) immediately following the loan being drawn down.

7. Maximum Loan amount

- The maximum amount available is £20,000

8. Drawdown

Loans will be payable by cheque or electronic transfer and must be taken up within three months from the date of the written Loan Facility Offer Letter.

9. Repayments

Loan repayments will begin 1 month after loan drawdown takes place except where a repayment holiday (max. three months) has been agreed during the application process.

The loan will be repaid in equal amounts, monthly, over the course of the term. For example, for a loan of £1,000 being repaid over 2 years, the monthly amount will be roughly £41.67 per month. Indicative loan repayment schedules can be provided for reference, on request.

Repayments will be by Direct Debit.

Early repayment of the loan will be accepted following one month's written notice. No penalty will accrue as a result of early repayment.

If the applicant disposes of the business, relocates outwith the Scottish Borders area or ceases to trade, the applicant will be liable to repay any outstanding sums immediately.

10. Non repayment

Repayments must be made promptly and in line with the repayment schedule provided with the Loan Facility Offer Letter.

- One missed repayment will generate a reminder letter.
- Two missed repayments will require a meeting between the Borrower and SBBLF where alternative repayment options can be discussed.
- Three missed payments, in the absence of alternative arrangements or agreement from SBBLF, will constitute a default on the loan and full facility amount will become repayable immediately.

11. Cost

There is an effective charge for the loan facility of 5% of the total loan amount, up to a maximum of £500. This charge will be calculated at drawdown and deducted from the full loan amount. For example, for a loan of £1,000, a charge of 5% will be applied – £50. This will be deducted from the loan amount before drawdown therefore the full amount available to draw down will be £950. Repayments are calculated against the full approved loan amount of £1,000.

12. What are the criteria that I need to meet?

Certain conditions will be attached to any loans disbursed:

1. The Borrower must be located or headquartered in the Scottish Borders.
2. The Borrower must employ between 1 and 49 full time equivalent (FTE) employees.
 - a) Businesses employing more than the equivalent of 49 full time employees may not be eligible for loan funding but will be directed to other forms of financial support provided by other organisations where appropriate. 49 full time equivalent employees may be comprised of more than 49 employees who work on a part time basis. Applicants are advised to check with SBBLF.
3. Individual (sole traders/ partnerships) applicants must be 18 years old or over.
4. Loans are available towards capital expenditure and, more exceptionally, towards working capital.
5. The loan fund will not be used towards refinancing existing debt.
6. At least 25% of the total project costs will come from non public sector sources.
7. No security will be requested on the loan however a personal guarantee will be required from at least 1 director where the Borrower is a Limited Company.
8. The Borrower must display the need for funding in the application.
9. The Borrower must satisfy the Funding Panel of the viability of the business over the medium to long term.
10. The Borrower must provide all of the financial information requested in these Guidelines.
11. The Borrower must display in the application a sufficient ability to repay the full amount of the loan over the agreed term. To this end the Borrower must provide audited accounts, management accounts, a 3 year projected cashflow, bank statements and a personal statement of assets.

13. What type of applications do you anticipate will be funded?

General areas of support will include:

- Market development costs, including marketing implementation costs.
- Introduction of new business processes including ICT infrastructure.
- Contribution towards essential capital expenditure that will offer improved efficiency and capacity.
- Support for new products or services being introduced to market.

The types of application likely to attract support include IT development, e-commerce activity and/ or product/ process improvement.

14. Credit Checks

The following references and checks will be made with each application:

1. Credit check with the business's bank
2. Check of outstanding debts (personal or business) with Scottish Borders Council and related bodies
3. Internal checks to ensure that the business complies with planning and building control regulations and any other statutory requirements
4. Credit reference agency checks may be used

15. Other details

- Businesses cannot apply for a second loan from the SBBLF before the first has been fully repaid.
- Businesses will not be eligible for a loan from the SBBLF if the amount of de minimis aid they have received in the current fiscal year and the immediately preceding two fiscal years exceeds the ceiling laid down by State Aid rules.
- SBBLF reserves the right to publish details of any loan offer which is approved but all material submitted in support of an application will remain confidential.
- In accepting a loan, the business is agreeing to an ongoing relationship with the advisory and support services of Scottish Borders Business Gateway and the regular submission of financial information to SBBLF.
- There will be regular visits to business premises to monitor and support the progress of the business.
- Audits may be required of the Loan Fund and in accepting a loan, a business is deemed to have agreed to meet the requirements of any audit and this may include a visit to the business premises for which prior notice would be given.

16. How will the information I provide be used?

The information supplied must be available for verification by officers of Business Gateway and officers on the Funding Panel appointed by Scottish Borders Council, either prior to or after the Loan has been offered, as required. You will be expected to produce on request any relevant information. The financial information you provide will be used to inform assessment of your application and for monitoring purposes after a loan offer is made.

All information provided will be passed to the Funding Panel who will review and appraise the application. All panel decisions are final and there is no right to appeal. Outline reasons for the decision will be provided on request however detailed feedback is not available. The potential outcomes are:

- Non approval
- Deferral to request further information
- Partial approval (at a reduced amount or amended term)
- Full approval (approved as per application)

Scottish Borders Council reserves the right to amend, suspend or withdraw the Scottish Borders Business Loan Fund at any time. All loans are subject to funding availability at the time of application.

Further details also available at:

https://www.scotborders.gov.uk/info/20065/business_funding_and_grants/300/business_loan_fund

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arrange for an officer to meet to explain any areas of the publication that you would like clarified, please also contact the same address.