

South Kesteven District Council Small Business Loan Scheme

Application Guidance Notes

What is the South Kesteven District Council Small Business Loan Scheme?

From August 2013, SKDC is offering a Small Business Loan, as part of a package of small business support measures, to help local businesses survive and continue to grow during the current difficult economic climate. In particular it responds to the issues being faced by small businesses as a result of reduced external funding support being made available to them.

Our loan will help established small businesses access the funding required to expand by providing match funding to that available within the business and/or provided by its bank or other funders. As a result this will contribute towards increasing business profitability, safeguarding and creating jobs thereby ultimately leading to local economic growth.

A typical scenario of how this loan scheme can work is:

“A small business requires £30,000 to implement an expansion project. The financial package could be £10,000 from the business, £10,000 from the bank and £10,000 from the SKDC loan.”

The critical point is that the SKDC loan amount should not exceed one third of the total funding required. Therefore proposals that meet this criteria but with different matched funding methods will still be considered, as long as they include bank/other financial institution or commercial lender funds. This is important because the commercial viability of both the business and expansion plan needs to be demonstrated to us.

The loan period is up to three years and principle and interest repayments made by existing borrowers will be made available to advance as loans to new borrowers.

Who can apply for the loan?

Established small businesses¹ located in South Kesteven district (to whom they pay their business rates) that require match funding to help finance expansion plans are eligible.

¹ The EU defines a small business as an enterprise with less than 50 employees, annual turnover not exceeding 10 million Euros, and balance sheet total not exceeding 10 million Euros.

What are the other criteria?

Businesses must be able to demonstrate their potential for growth and increasing Gross Value Added (GVA) ² of the local economy. In short, we are looking to support businesses that will contribute to the growth of the local economy, e.g. by increasing turnover, profits and jobs. Loans can only be advanced to fund for the sole purpose of enabling a business to expand, e.g.

- Employment of additional staff
- Capital equipment purchase or updating
- Purchase of materials to complete a major new order
- Developing new markets, products or services

Businesses must also include evidence of the last two year's performance, including income and expenditure, profit, and number of employees. This is to demonstrate the commercial strength of the business. We have introduced this loan scheme to support businesses that in normal economic circumstances would not have a problem with securing the external funding required to expand.

A personal guarantee (from all owners/directors) will be required for the SKDC loan in addition to that required by the other funder(s). However this will not be secured against any asset (business or personal) and a loan agreement will set out the repayment terms, interest rate and obligations.

How much can be applied for?

The maximum loan for a single business will be no more than £10,000. Given that the loan amount must be no more than one third of total amount required, proof of bank or other financial institution and business funding equal to, or greater, than the loan amount will be required as part of the application.

How is the loan paid?

Loan periods will be for a maximum of three years. A fixed rate of interest, at a below market rate (Public Works Loan Board Annuity rate), will be applied to the loan. Loans may be repaid in full at anytime during three years without interest penalty. Repayments inclusive of interest will be due on the last day of each month.

² Gross Value Added was introduced by the former DTI (now Department for Business, Enterprise and Regulatory Reform), as a means of measuring and benchmarking the performance of businesses, sectors or of a specific economy, and allows comparison of economic performance among, for example, differing sectors of benchmarking of areas across the EU. GVA per capita is expressed as the contribution to the economy per employee.

In terms of advancing the funds, this will be done via bank transfer, which may need up to 3 working days to complete, upon receipt of the signed loan agreement.

What is the application process?

In order to submit an application, applicants are required to complete an application, together with all relevant supporting documents, and send them to South Kesteven District Council. For fully completed applications, a final decision will be made within 10 working days. Any missing information will cause a delay in the decision making, because it will be returned.

The application form

Please complete all sections of the application form, as incomplete applications will not be considered. Together with the application form, you are required to submit other relevant supporting documents e.g.

- Copies of company accounts for last two years
- Marketing Plan
- Company Workforce Development Plan

How is the application assessed?

The Head of Economic Development will review the applications and make a recommendation to the relevant Cabinet Member for Economic Development and Well Run Council together with a member representative from Resources Policy Development Group.

The SKDC loan supports businesses that require funding to expand and have the potential to improve the economy. Such applications are more likely to be successful. We reserve the right to refuse any application.

Loan agreement and performance management

A signed loan agreement that sets out the repayment terms, interest rate and other obligations will be required from all successful applicants. The applicant will be responsible for their business performance but will provide six monthly reviews to the Council for the duration of the loan period.

Other considerations

Please note that the SKDC loan is provided from public funds and therefore the loan will be subject to inspection and audit. Any fraudulent activity will be quickly identified and reported to the police. Legal action may also be undertaken on behalf of South Kesteven District Council in order to recover money owed and any other damages that deem to have been incurred.

Any personal involvements with members or officers of South Kesteven District Council must be declared from the outset. Applications that do not meet these criteria will be declared null and void.

Completed application must be returned to:

Head of Economic Development
South Kesteven District Council
St Peters Hill Council Offices
Grantham
Lincs
NG31 6PZ