
Scottish Borders Loan Fund – Update

Report by Service Director Strategy & Policy

EXECUTIVE COMMITTEE

9 June 2015

1 PURPOSE AND SUMMARY

- 1.1 **This report seeks approval to extend the operation of the Scottish Borders Loan Fund until the proposed national Scottish Local Authorities Business Loan Fund, Business Loans Scotland, becomes operational.**
- 1.2 At its meeting on 3 February 2015 the Executive Committee agreed to close the Scottish Borders Loan Fund on 31 March 2015 as it would be replaced by the proposed national loan fund on the 1 April 2015. However, the new national loan fund has been delayed due to the Scottish Government experiencing difficulties with its planned timescales for the provision of European Funds to support public sector financial instruments. It is now expected that the new fund will not be operational until October 2015.
- 1.3 This delay means that local small businesses are at a disadvantage in relation to funding their growth ambitions and the resultant economic impacts will be lost or delayed. Extending the operation of the Scottish Borders Loan Fund will provide a facility for small businesses to raise finance until the new fund is operational.
- 1.4 In addition, the Borders Railway Blueprint Action Plan sets out an ambition to establish a Railway Investment Fund, during the summer of 2015, to support businesses seeking to exploit opportunities created by the arrival of the Borders Railway. The intention is that the Railway Investment Fund will be managed through Business Loans Scotland and extending the Scottish Borders Loan Fund will allow the Council to meet this commitment until Business Loans Scotland is operational.

2 RECOMMENDATIONS

I recommend that the Executive Committee agrees to extend the operation of the existing Scottish Borders Loan Fund until the proposed national Scottish Local Authorities Loan Fund, Business Loans Scotland, becomes operational.

3 Background

- 3.1 At its meeting on 3 February 2015 the Executive Committee agreed that the Council should join the Scottish Local Authority Business Loan Fund, now known as Business Loans Scotland (BLS). As this was due to be operational on 1 April 2015; it was agreed to close the Council's Scottish Borders Loan Fund (SBLF) on 31 March 2015.
- 3.2 Unfortunately, the Scottish Government has been unable to meet its original timescales in relation to providing European Funding to support public sector financial instruments, such as Business Loans Scotland. This means that the operational start date of Business Loans Scotland has been delayed and is now expected to be 1 October 2015.
- 3.3 This delay and the closure of both Scottish Borders Loan Fund and the Scottish Enterprise run South of Scotland Loan Fund means that small businesses in the Scottish Borders are disadvantaged in relation to seeking finance to grow and the resultant economic benefits will be lost or delayed.
- 3.4 This delay also means the Council will have difficulty in meeting its ambitions in respect of the proposed Railway Investment Fund, noted in the Borders Railway Blueprint Action Plan. This Fund is intended to provide support to businesses to exploit the opportunities presented by the opening of the Borders Railway, the details of which are still being discussed with the Scottish Government and Scottish Enterprise. The Fund is due to be launched during the summer and is going to be managed through Business Loans Scotland. By extending the Scottish Borders Loan Fund the Council will be able to address applications for Railway Investment Fund support until Business Loans Scotland is in operation.

4 The Scottish Borders Loan Fund

- 4.1 In order to provide support to local businesses and offset the impacts of the delay in establishing Business Loans Scotland, it proposed that the Scottish Borders Loan Fund (SBLF) is extended. The extension should cover the period until the new BLS scheme is in place.
- 4.2 SBLF was established in November 2012 with a dedicated Balance Sheet provision of £300,000, providing interest free loans up to the value of £20,000. In the period to 31 March 2015 it has supported 12 applications to a value of £132,000, leaving £168,000 available for further loans.
- 4.3 The extension of SBLF will allow the Council to continue to provide Scottish Borders businesses with more flexible and easier access to loan finance to sustain and grow their business and increase employment opportunities, until Business Loans Scotland becomes operational. SBLF complements other business support activities that the Council and partners provide.

5 IMPLICATIONS

5.1 Financial

- (a) It is proposed that Scottish Borders Loan Fund pilot is extended until Business Loans Scotland becomes operational, utilising the uncommitted funds of £168,000.
- (b) The costs of administering the funds are met from within the Council's existing budget, utilising staff within Economic Development, Business Gateway and Finance teams. Any additional costs are covered by the one-off administration fee of 5% which is charged for each loan.

5.2 Risk and Mitigations

- (a) There is a risk that there may be defaults on the loans made by SBLF. It should be noted that to date there have been no defaults and this reflects well on the steps taken to minimise this risk, which includes due diligence, accompanying business advice and business and market intelligence undertaken by Business Gateway. In addition the risk is further mitigated by the decision making being made by a funding panel consisting of officers from the Economic Development and Finance Teams.
- (b) There is a risk that businesses will not apply for loans. This will be mitigated through promotion by Business Gateway advisers, officers within Economic Development and Scottish Enterprise.
- (c) In providing financial support, the Council must be aware of State Aid regulations designed to prevent distortion of competition in a market place. This is mitigated by officer's knowledge of the regulations and the current state aid "de minimis" exemption of 200,000 Euros. It is also mitigated by a check with applicants about any other public sector support.

5.3 Equalities

An Equality Impact Assessment (EIA) is not required as this involves a continuation of the SBLF activities. A key aspect of the Council's Economic Development Team's work is to reduce barriers to economic inequality and information on service delivery to equalities groups is monitored and this will continue during the pilot extension.

5.4 Acting Sustainably

The activities of SBLF fit alongside the Business Plan for Economic Development and the Business Gateway service which both contain a number of targeted outputs and outcomes that will deliver economic benefit: these relate to the number of businesses assisted, start-up, growth and local service priorities as defined by the Council.

5.5 Carbon Management

There is no net increase at a Scottish Borders level as this is the continuation of an existing service delivery, replacing the Scottish Borders Business Loan Fund.

5.6 Rural Proofing

Rural Proofing is not required as the proposal does not relate to a new or amended Council policy or strategy.

5.7 Changes to the Scheme of Administration or Scheme of Delegation

No changes to the Scheme of Administration or Scheme of Delegation are required as a result of this report.

6 CONSULTATION

- 6.1 The Chief Financial Officer, the Monitoring Officer, the Chief Legal Officer, the Service Director Strategy and Policy, the Chief Officer Audit and Risk, the Chief Officer HR, and the Clerk to the Council have been consulted and their comments have been incorporated into the report.

Approved by

Service Director Strategy & Policy

Signature

Author(s)

| Name | Designation and Contact Number |
|---------------|--|
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Background Papers: None

Previous Minute Reference: Executive Committee, 3 February 2015

Note – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. Jim Johnstone can also give information on other language translations as well as providing additional copies.

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