

Gwynedd Loan Fund

Information Guidelines **For Prospective Applicants**

Application forms can be obtained by contacting the Gwynedd Council Business Support Team on 01286 679231 or by e-mail: business@gwynedd.llyw.cymru - all prospective applicants must contact the Business Support Team to discuss their proposal before submitting an application.



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1. INTRODUCTION

As part of its strategy to respond to the economic recession, Gwynedd Council published a document titled 'Responding to the Recession' in May 2009. This document includes a programme of plans and interventions to support individuals, businesses and community bodies to stabilise and develop in a period of economic uncertainty.

One of the plans included in the document was to consider different options for establishing a new Local Loans Fund for businesses in Gwynedd. Gwynedd Council commissioned work to investigate further the different options to establish a fund that would facilitate access for businesses to investment funding.

In November 2010 Gwynedd Council's Board approved the establishing of an internally managed Loans Fund.

Small loans made by the Fund will be between £25k and £100k with an opportunity to apply for larger asset backed amounts in circumstances where there is clear evidence that financial assistance is required to develop or extend the business.

2. LOAN SPECIFICATION

2.1. Investment size, term and security

The total of the Gwynedd Loan fund will be a fund of up to £3 million

Small loans will be between £25k and £100k with the opportunity to lend larger amounts (an Asset-Loan of up to £750k) as long as supported by good value asset-based security (land and buildings typically).

The normal term of a small loan will be between 36 and 60 months; an Asset loan will normally be for at least 60 months.

Security over the business assets should be taken wherever possible although charges ranking behind the company's bankers are accepted as likely to be common. However, in balancing the owners' risks with the Fund's risks, personal guarantees (although not security over personal assets) will also be sought when appropriate.

A capital repayment holiday of up to 3 months (and by exception of up to six months) can be given to small loans. No capital repayment holiday will be granted on Asset loans of over £100k.

Businesses eligible for support

The Fund operates within the Gwynedd Council boundaries and all businesses should have either its operating base or a significant number of full time permanent employees within the Gwynedd boundaries.

Eligibility is restricted to businesses (including social enterprises) qualifying as a Small to Medium Sized business (SME):

with less than 250 employees and a turn-over of up to €50 million or a balance sheet of up to €43 million (EU definition of a medium sized company);

demonstrating failure to secure finance in the commercial sector; and

with viable business plans

All applicants to the fund are to verify they have appropriate environmental, health and safety, equal opportunities and disability policies / statements in place.

The purpose of loan support is business creation, restructuring, development or expansion and the provision of loans to solely clear existing debts or existing loans from lenders (for example, as a lenders mechanism for managing bad debt) is not eligible.

All businesses qualifying to access the fund also need to demonstrate their potential by evidence of at least 5 of the following characteristics:

Aspiration and attitude of the entrepreneur, owner/manager and senior management

Ability and capacity of the leadership team

Seeking external finance

Evidence of a strong order book

Potential customer demand

Sound industry and sector knowledge

A clear growth purpose – e.g. investment; innovation; expansion; restructuring

Evidence of willingness and capacity to innovate

In general, every sector will be eligible for assistance from the Fund; despite the fact that the governments of the European Union and United Kingdom impose restrictions on the business sectors and there will be a need to prove the Fund's ability to make investments to these sectors. For example, should Convergence funding be accepted as part of either the Fund's amount or to support the management of the Fund, there will be a need to exclude ineligible sectors.

NB In the case of Convergence funding being received as part of either the Fund amount or in support of Fund management, non-eligible sectors will need to be excluded as follows:

Those covered by EC sectoral restrictions: including synthetic fibres, textiles and clothing, shipbuilding, coal and steel, agriculture and food processing.

Banks and insurance companies.

Education establishments providing school age education. Enterprises offering technical education or vocational training may be eligible;

Provision of local social welfare facilities e.g. hospitals, nursing homes, fire stations, day nurseries, child-minding facilities, sports facilities, parks, public libraries unless when these are linked to economic activities (e.g. social enterprises);

Retail facilities - except with rare exceptions, for instance, where the provision or improvement of a retail outlet is an important integral part of a general economic development strategy.

Building and renovation of housing in general, although, as part of a wider strategy to regenerate the area, improvement of external estates and prominent buildings in key locations can be supported where closely linked to Convergence Programme objectives.

Pricing

An interest rate of 7.5%, 10% or 12.5% will be charged on all loans depending on the circumstances of the business (to be reviewed at least annually based on the market interest rates and the success of businesses in repaying the loans to Gwynedd Council).

An Arrangement Fee of up to 1% will be charged for individual loans to pay for any relevant costs – to be reviewed at least on an annual basis.

3. LOAN PROCESS

Access and information will be available through a range of different channels:

3.1. Initial Enquiries

- Details of the fund, eligibility criteria and enquiry forms will be embedded within the Gwynedd Council website. An e-mail address will also be linked into the enquiry form for direct submission to Gwynedd Council enquiries.

- The Business Support Team, Gwynedd Council will manage direct enquiries from potential clients or intermediaries. Enquiry forms (print or electronically) should be returned to Gwynedd Council for initial response.

Initial enquiries will be assessed on the basis of eligibility as specified above. These include the nature of request and amount, location, sector and displacement issues. If the business is eligible, the terms of finance will be explained and application forms provided together with the loan guidelines detailing the supporting documentation required.

3.2. Loan Application and Processing

Applications

Application forms will be received by the Business Support Team and undergo a two stage evaluation:

1. Desk evaluation of application form, business plan and supporting documentation, if satisfactory then
2. Arrange for the complete loan application to be sent to the appointed Financial Consultant to undertake a detailed financial evaluation and assessment of the application

Desk evaluation

- Commercial evaluation: Based on principles of good lending practice including credit checks, criteria scoring and appraisal of form, ID, bank rejection and business plan will be undertaken on all proposals.

Evaluation of Loan Applications

- The appointed Financial Consultant, based on the information provided by the applicant, will provide a comprehensive report to include the identification of any risk associated with the investment, the knowledge of any relevant current market conditions and a clear and concise recommendation to be presented to the Gwynedd Council Loans Panel .

The following information will be required to assess all loan applications:-

- A business plan detailing the business history and future plans
- Detailed CVs for all business proprietors, directors and partners
- Audited accounts from the last three years
- Copies of bank statements from the last six months
- Projected balance sheet, P&L and cash flow for the next two years
- Recent management accounts and aged debtor/creditor list (where available)
- Certificate of Incorporation (where available)
- Evidence that applicants have approached their banks, in the first instance, to discuss their funding requirements

Loans Fund Panel

A Loans Fund Panel will be established and which will have the following purpose statement:

- To give due consideration to loan fund applications submitted to Gwynedd Council by local businesses.
- To recommend approval or otherwise of loan fund applications together with specific terms and conditions with respect to the repayment period and, wherever possible and appropriate, a guarantee over the business assets.

The Panel will reach one of 4 possible decisions:

- Further information required
- Agreed without conditions
- Agreed subject to conditions
- Application for funding declined.

The applicant will be informed of the outcome of the Loans Fund Panel within 48 hours. If the proposal is rejected the applicant will be notified of the Appeals Procedure.

Appeals Procedure Proposals

- The client will have the right of appeal if application rejected but the client must appeal in writing within 7 working days outlining the specific reasons for appeal.
- The Appeal will be presented to the next Loan Fund Panel meeting and the client informed of the decision

Loan Agreements

- A Loan Agreement will be issued along with any other documents required such as Directors' guarantees, security documents and standing order mandate forms. Loan Agreements will be issued within 10 working days of approval of loan fund application.
- In certain circumstances, security will be required as means of a Legal Charge. In these circumstances Gwynedd Council will request sufficient information with regard to any property of the applicant to enable it to proceed.
- Applicants will have 30 days to accept the terms and conditions of the loan offer, after which an offer will lapse.
- Following acceptance of an offer and completion of necessary security documentation the loan will be available for drawdown.

Payment

- Payment of the loan will be made through BACS to the applicants designated bank account.
- Any arrangement and security fees will be deducted from the loan and details of deductions confirmed in the remittance advice.