

**NORTH LANARKSHIRE COUNCIL  
REPORT**

<b>To:</b> POLICY & RESOURCES (REGENERATION & INFRASTRUCTURE) SUB COMMITTEE		<b>Subject:</b> Roll out of government funded Start-Up Loan Company in North Lanarkshire.
<b>From:</b> HEAD OF PLANNING & REGENERATION		
<b>Date:</b> 20th February 2014	<b>Ref:</b> 1760/YW	

**1. Purpose of the Report**

1.1 The purpose of this report is to seek the approval from Committee to engage as a partner authority with the roll-out of the Start-up Loan Company in Scotland.

**2. Background**

2.1 The Start-Up Loan Company (SULCo) was established in 2012 following the report by Lord Young on Making Business Your Business, Supporting the Start-Up and Development of Small Business. Lord Young of Graffham is the Enterprise Advisor to the Prime Minister.

2.2 SULCo is a private company and reports directly to the Department of Business, Innovation and Skills (BIS) and was established with a fund value of £137million.

2.3 SULCo is expected to help create at least 30,000 businesses across England and Northern Ireland through the provision of unsecured, low cost loans, coupled with business support and mentoring. The target market was initially 18-24 year olds then later increased to anyone over the age of 18.

2.4 The objectives of SULCo are to:

- Fill a funding gap
- Promote a strong SME sector
- Foster a culture of entrepreneurship and
- Create jobs to tackle youth unemployment

2.5 SULCo offers the following:

- Low cost loans through a network of delivery partners
- Business planning and pre-loan support through a network of delivery partners
- Mentoring and ongoing support through a network of delivery partners
- Support through their Corporate Partners

- 2.6 Loans through SULCo are not provided to the business but to each individual operating the business. If for example there is more than one person in the business then each of the partners or directors could apply for a loan of up to £10,000 each. Each individual and not the business is responsible for repaying the loan. It is possible for loans up to £25K to be applied for. A further condition is that businesses must be in their first year of trading at the time of application.
- 2.7 The loans are regulated by Consumer Credit Legislation. There is a 6% fixed interest rate payable over an average of a 3-year term.
- 2.8 Following a review by Lord Young, the UK Government agreed to roll the programme out to the whole of the UK. The loans are now available in Wales and in Northern Ireland and SULCo have recently been in discussion with the Scottish Government on how this could be extended to cover Scotland as well.
- 2.9 At present, North Lanarkshire Council directly delivers loan finance through the West of Scotland Loan Fund. These are loans up to £100K. Whilst there is no minimum limit, loans are in the main £20K or over. There is also loan funding available through Princes Trust Youth Business Scotland, New Enterprise Allowance, Scottish Investment Bank, UK Steel Enterprises Ltd and Developing Strathclyde Ltd within this area. Whilst there are a range of loan products available, they all have a different range of restrictions including factors such as age, minimum/maximum limits, match funding requirements and sectors. The new fund appears flexible and whilst there will inevitably be elements of duplication, it will fill a number of the gaps in the market that currently exist particularly at the lower end of funding requirements for start-ups and to those individuals who struggle to raise finance elsewhere. It should again be noted that the SULCo loans are personal as opposed to business loans.

### **3. Delivery Options**

- 3.1 Expressions of interest are now being sought by SULCo for the delivery of the programme in Scotland. It is anticipated that SULCo would commence in Scotland on 1 April 2014. Discussions are ongoing at a national level with representatives from Scottish Government, COSLA, the West of Scotland Loan Fund, the East of Scotland Investment Fund and local authorities to discuss options around delivering the loan fund through the West of Scotland Loan Fund Management Services Ltd and Business Gateway. At a local level discussions are underway between North and South Lanarkshire Council and Lanarkshire Enterprise Services Ltd who deliver the Lanarkshire Business Gateway contract.
- 3.2 It should be noted that there are currently 58 delivery partners in England, some of which operate at a UK level and a small number have already expressed an interest in delivering the service in Scotland.
- 3.3 It is important that whoever ultimately delivers SULCo in Lanarkshire and indeed in Scotland ensures that there is a joined up approach to delivery across Scotland which is integrated with the existing business support network and services. Failure to do so could ultimately lead to further confusion in the market place over business advisory and support services particularly for the start-up market, and lead to a fragmentation of services.

3.4 Given the existing Business Gateway and West of Scotland/East of Scotland loan funding structure, it is likely that proposals will move forward for a joint proposal to deliver SULCo in Scotland utilising existing infrastructure. An expression of interest would be submitted by the West of Scotland Loan Fund Management Services Ltd to deliver a trial project with interested local authorities. Interested local authorities would enter into a Memorandum of Understanding with the West of Scotland Loan Fund Management Services Ltd to deliver the business support elements through local Business Gateway activity. A trial programme would give the opportunity to ascertain the likely levels of demand for the service and consider how the service fits with other local provision. At present, North Lanarkshire Council has expressed an indicative interest in being part of this trial activity subject to ongoing discussions and approvals at a local level.

3.5 The following summarises the main roles of the organisations proposed in this model of delivery:

**Business Gateway:**

- Handling of enquiries (nationally via the Business Gateway Enquiry Service and locally through Business Gateway offices)
- Marketing and Outreach
- Meeting applicants and providing information on SULCo
- Pre-Business Support (Business Plan, Cash Flows, Survival Budgets)
- Recommending loans for approval
- Ongoing support and mentoring

**Local Authority (North and South Lanarkshire Councils):**

- Reviewing applications recommended by Business Gateway for approval
- Ensuring all application paperwork is in place
- Making a formal recommendation on the application to approve or decline funding

**West of Scotland Loan Fund Management Services Ltd:**

- Credit and money laundering checks
- Loan decision and approval up to £10K
- Referrals to SULCo for loans above £10K
- Issuing/finalising legal documentation
- Loan disbursement
- Repayment/collections/arrears/debt management
- Reporting to SULCo

**4. Financial and Resource Implications**

4.1 It is anticipated that the services offered within the current Lanarkshire Business Gateway contract would be able to provide the majority of the necessary services required. This is being discussed further at both local and national levels to identify any gaps in levels of support provided.

4.2 It is estimated that through the proposed model 400 approved loans would be delivered in the first year across Scotland and 1000 per annum in the following years. Based on Lanarkshire's share of the start-up figures of Business Gateway per annum of c11%, it is estimated that this would equate to approximately 44 in the first year and 110 loans per annum thereafter.

4.3 The SULCo will pay a fixed fee per loan approved to the West of Scotland Loan Fund Management Services Ltd. This will ultimately generate an income to cover any additional costs required for the delivery of the loan fund. There will be an agreed element retained by the West of Scotland Loan Management Services Ltd to manage the administrative element of the loan fund and the remainder paid to the lead local authorities in relation to the delivery aspects. This payment should provide sufficient additional funding to cover any additional costs associated with local delivery and approval of loans in Lanarkshire.

4.4 There will be a requirement for existing officers within the Council to review the applications recommended for approval by the Business Gateway and to then make a formal recommendation to the West of Scotland Loan Fund Management Services Ltd.

## 5. **Conclusion**

5.1 SULCo is moving into Scotland and is actively seeking delivery partners in Scotland. Given the strong business support network and infrastructure which is currently led by local authorities through Business Gateway and West of Scotland/East of Scotland Loan Funds, there is an opportunity to collectively express an interest for the delivery of this work to complement and add value to the existing portfolio of services delivered to support people to set-up and grow their businesses.

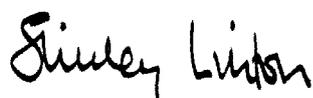
5.2 By providing additional support to businesses who cannot raise bank funding at the early stages, SULCo should assist in creating more businesses through opening access to much needed start-up finance which should ultimately lead to further job creation.

5.3 The Service needs to fully assess the likely levels of income that could be generated through SULCo and the contract/service resource requirements before entering into an agreement but seek approval of the committee to proceed with those negotiations.

## 6. **Recommendations**

It is recommended that Committee:

- (i) Agrees that Lanarkshire proceeds to participate in the national trial for SULCo.



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Local Government Access to Information Act: for further information please contact Yvonne Weir, Regeneration & Infrastructure on 01236 632864