

New

£5,000 DEVELOPMENT LOANS FOR SOCIAL ENTERPRISE

BEDF March 2008

WHY?

- **BEDF** has been looking at useful new loan products that we can offer within the framework of our existing operation
- We recognise that we rarely lend to Social Enterprises although **Social Enterprise Works** has confirmed that existing social enterprises find it very difficult to access business development money
- We know that lending to a social enterprise can result in improved business quality, performance and therefore sustainability

WHEN?

- The loans are available from April 2008. You can apply anytime. Once the application is complete we will book it into the next **Loan Panel**. The Loan Panels are held in the morning of the last Wednesday of each month

WHAT?

The Loan Product

- **BEDF** is offering loans to **existing social enterprises** to finance new business '**Research and Development**' activities which aim to produce an additional income stream for the future. The business idea needs to be planned as a permanent service or supply of goods rather than a short-term or time limited project
- The loans are **up to £5,000** (with a possible extension up to £7.500) **repayable over 2 or 3 years at 4% above base rate**. There may be an arrangement fee as a % of the loan required

Risk

- Most social enterprises are limited companies. There are no shareholders. They are run by a Board of (volunteer) Directors who have no personal financial interest in the company and are usually averse to risk
- **BEDF** would normally take 'directors personal guarantees' when lending to a limited company but for social enterprises we will look for other indicators of risk and ability to repay the loan

What can the loan can be used for?

- The loan is intended to increase and improve the scope, capacity and skill of the business and of the existing staff team; and to develop business ideas that produce an income stream
- No more than 50% of the loan can be used for buying in general business planning, advice, support and consultancy
- **Otherwise all, or the remainder, of the loan can be used for:**
 - Specialist, professional and technical help of a specific nature - e.g. architects or planning fees, legal fees
 - Design and (re) branding costs
 - Service or product development
 - Marketing and promotional campaigns including marketing materials
 - Installing new management information systems and relevant training
 - Recruitment, induction and equipment/resources for a new post
 - Premises improvement and refurbishment to accommodate a new or enhanced service
 - Other new or additional resources, or activities conducted in-house by the existing staff team, which clearly improve the prospects of the business to become more financially independent

WHO?

The Customer - Criteria and Conditions

- Any social enterprise based in the West of England (Bristol, South Gloucestershire, North Somerset and Bath & North East Somerset)
- The company will have been in existence for more than one year and have the first year's audited accounts available
- Evidence of other unrestricted income and/or operational reserves for the duration of the loan repayment period will be required
- The company's business bank will be approached first to see if they will lend the whole amount or part. A written response will be needed from the Bank for the application to be considered

HOW?

The Application Requirements

- Fully completed BEDF application form signed off by a business adviser from Social Enterprise Works
- The application form requires:
 - Authorisation by the company's Board (in the form of a copy of the minuted agreement to apply for a loan)
 - A signature from the Chair of the Board and the senior employee of the company (CEO, Director or Manager) who will take responsibility for using and repaying the loan
- Information to show that the organisation is a Company Limited by Guarantee and has been registered and trading for at least 12 months OR is a CIC (Community Interest Company) and was previously registered and trading as a Company Limited by Guarantee – the two in total for at least 18 months
- A current/recent business plan for the whole organisation – if available
- A short, specific business development proposal - plus 12 month projected cash flow - for the intended income generating activities or additional business showing how the loan will be used and what it will achieve. This will demonstrate how the loan would lead to greater independence and sustainability through an increased or new income stream
- If not – at least a 12 month projected cash flow for the whole organisation and all its activities
- The most recent set of annual audited accounts
- The last 6 month's bank statements
- The most recent Annual Report
- Information about external funders and funding

Making a decision

- The BEDF Loan Panel will look for **measures of success, indicators and goals such as:**
 - increased sales targets
 - evidence of a new or enlarged customer base
 - inroads into new markets
 - new products or services
 - increased turnover
 - additional earned net profit on some activities of the enterprise
 - the ability to attract investment funding
- BEDF will make a swift decision within 24 hours of the Loan Panel meeting whether or not to lend

BEDF will then...

- Pay out loan funds against pro-forma or actual invoices for goods and services which comply with the agreed purpose of the loan. If the activity is in-house BEDF will expect detailed costings in advance and a clear outline of what activities will be undertaken in a specific timeframe
- Monitor and record the success/failure of the borrower to develop new regular income and additional jobs as a result of the loan
- Contract with Social Enterprise Works to provide a business mentoring service and undertake BEDF loan monitoring requirements on a regular basis.