

Creative England Business Loan Fund

Application Guidelines

Business Loan Fund background information

Overview, aims and objectives

Creative England operates with the core purpose of supporting the sustainable growth of independent creative businesses, and the talent that feeds them. The Creative England Business Loan Fund intends to stimulate business growth and development in creative and digital SMEs.

It supports companies who are experiencing difficulties in accessing finance due to high levels of risk or uncertainty around the outcome of projects. It is targeted at companies with demonstrable high-growth potential which want to make a step-change in their development.

In line with the Regional Growth Fund objective, this funding is only available to companies based in the English regions, outside of Greater London. (The Office for National Statistics defines Greater London as “...32 actual London boroughs, with a status similar to metropolitan districts, and also the City of London, which is a City Corporation and has a number of additional roles. London boroughs are subdivided into electoral wards.”) [https://geoportal.statistics.gov.uk/Docs/Maps/London_boroughs_\(Eng\)_2013_map.pdf](https://geoportal.statistics.gov.uk/Docs/Maps/London_boroughs_(Eng)_2013_map.pdf)

Applications will need to demonstrate the company’s desire and ability to grow through the delivery of high-quality, commercially astute projects which result in **the creation and safeguarding of full-time jobs (minimum of 12 month contract)**

How much is available?

- Creative England Business Loans are distributed as secured loans of £50,000 to £200,000 for single projects. The maximum loan available is 50% of the total project costs.
- Applicants must demonstrate that the balance of the project costs (50%) will be provided as either a contribution from their own resources or from third parties. All funds are subject to the availability of funding and are discretionary. There is no guarantee that an applicant will be offered an investment even if the business and project is eligible.

Who can apply?

- Prior to registering your interest in the fund you will be taken through an eligibility checker which will ensure that the fund is right for your business.
- All established businesses within the Digital Creative sector are welcome to apply as long as they meet the eligibility criteria.
- Each company can only make one application to the fund unless authorised to reapply.
- Your company should aspire to grow through your proposed activity and evidence of your capacity to support, nurture and exploit this growth potential will be essential to making a compelling bid. You will need to demonstrate both a clear route to market and your ability to realise the growth potential of your proposed activity in terms of jobs creation.

KEY POINTS:

- ✓ The Creative England Business Loan is delivered by Creative England with the support of the UK Government Department for Business, Innovation and Skills through its Regional Growth Fund (RGF). The objective is to promote economic growth by providing secured interest-free loans. While the loans are not a grant and repayment of the funds will be required, the loans are better than commercial loans because:
 - In the current economic climate commercial loans can be hard to obtain for businesses.
 - A business may succeed in a loan application even if unable to obtain a commercial loan due to the additional expertise Creative England is able to draw upon.
 - Preferable terms: the loan is interest-free and the repayments will increase gradually over the term. Our standard repayment term is 30 months; however this is dependent on your company and the project.
An example of a loan repayment is provided below:

£100,000 loan (please note the £5,000 arrangement fee)
 - First year repayments of £2000 a month equates to £24,000 repayment in the first year.
 - Second year repayments of £3,500 a month equates to £48,000 in year 2.
 - Third year: 5 x repayments of £4,667 a month equates to £23,335.
 - With a final payment of £4,665 in month 30.Total repayment: £100,000 over 30 months.
- ✓ The primary objective of the RGF is the creation and safeguarding of jobs and evidence of your capacity to grow as a company will be crucial to the success of your application.
- ✓ RGF is also keen to secure private sector investment which is why the match funding must come from private sources and why we will also track further follow-on investment.
- ✓ Creative England will make available interest-free business loans between £50,000 and £200,000 per application. These loans will be matched 50% by the applicant company; so for example, a loan request of £50,000 must be matched by £50,000 additional private funding.
- ✓ A small arrangement fee of 5% of the loan value will be charged to cover assessment, due diligence, legal, and administration costs.
- ✓ All successful applicants are required to repay the loan in full. Creative England will require certain security to be provided to ensure compliance with that obligation. In the event of non-repayment or other default Creative England may charge interest on the loan and take steps to enforce its security and recover the debt owed to it. Further details will be provided in due course to successful applicants.
- ✓ Creative England Business Loans are available to companies operating and registered outside of Greater London in the English regions.

- ✓ **We include a conditional redemption premium in our loan agreements.** This is a clause whereby after a certain level of revenue generation or pre-tax profits, a company will pay an agreed percentage of that revenue back to Creative England, up until Creative England recoups a percentage of the original loan, up to 25%. This is a conditional charge, which is only applicable if your company is generating revenues or profit over an agreed amount, dependant on each company and agreed on a case by case basis.

An example of how this might work is:

- A company with a revenue of £200,000 applies for a loan of £100,000.
 - Creative England offers the loan at 0% which is repaid over 30 months.
 - At the end of the repayment term, the conditional redemption premium (CRP) takes effect. As a result of the loan, company revenues have increased to £500,000, the agreed CRP trigger.
 - The company pays a fee of £25% of the original loan back to Creative England (£25,000)
- ✓ This conditional redemption premium is dependent on the company reaching an agreed revenue or pre-tax profit level.
 - ✓ Any money that Creative England receives back from companies will be used to support the industry, and will be reinvested into other creative, digital companies. **Creative England will not profit from this charge.**

Priority will be given to projects which:

- support the development of existing or new technology, products and services which will meet emerging client demand, provide a significantly better service and enhance the company's competitive edge.
- invest in innovation enabling companies to exploit new business opportunities with new or existing clients
- encourage a company to invest by being able to offer co-funding to the project, thereby reducing the financial commitment and risk they'd otherwise face developing the project alone.
- demonstrate the creation of new, sustainable employment.

The guidelines below contain all the questions in the (online) application form. You might find it helpful to print a copy and refer when completing the online form.

Full application form guidelines:

Section: The applicant company

We will use the information you provide in this section for due diligence and subsequent contract development, therefore please ensure all company information is accurate. Please note that the loans are only available to small and medium enterprises (SME) as defined by the European Commission.

An SME will feature the following characteristics:

- Has fewer than 250 Employees
- Has either (1) an annual turnover not exceeding €50 million (approximately £39 Million) or (2) an annual balance sheet total not exceeding €43 million (approximately £33.5million);
- 25% or more of the capital or the voting rights are not owned by one enterprise, or jointly by several enterprises falling outside this definition of an SME.

For further advice on business types please visit the European Commission Website for guidance and an online “SME Checker”:

http://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition/index_en.htm

Please note that Creative England Business Loans are not available to local authorities or academic institutions.

If you have any questions regarding eligibility please email business@creativeengland.co.uk

Section: Your proposal

Amount requested

Please enter an amount between £50,000 - £200,000 in whole pounds.

Project title

Please give the full title for the project that is the subject of this application.

What does your organisation do?

Tell us what your business does to make money. Please also provide some background on your journey to date.

Why do you want a loan and how will this investment grow your business?

Please outline the proposal clearly and succinctly, avoiding any unnecessarily technical or complicated jargon. How will the loan create new business growth and sustainability?

Project team

Please outline the key staff who will be working on the project, describe their roles and their experience.

What is innovative or special about your product that gives your product and your company a competitive edge over your competitors?

Tell us what is commercially, scientifically or technically innovative product and/or company with consideration to Intellectual Property. Please also provide detail on your competitors and your unique selling proposition over your competitors.

What evidence do you have that your product has a market and customers who will buy it?

Please describe your customer, the size of the market, the proportion of that market which is relevant to your business plan along with a rationale that substantiates why customers will want to buy your product.

What is your route to market, how have you priced your product and what is this based on?

Tell us how you intend to sell your product and why you have taken this approach. Please also tell us about your thought process behind pricing your product.

What are timescales for delivery and when will the product be launched?

Please provide details of the key milestones in delivering your product to market.

Section: Finance

Throughout the finance section please enter all monetary values with no currency signs or commas.

Total project budget

Please enter the amount you are planning to spend on the project, including the loan amount requested in this application.

Please complete the finance spreadsheet linked on our website here:

<http://www.creativeengland.co.uk/business/interest-free-business-loans>

Follow the link to download our finance template. Please then complete this with your cash flow, revenue projections and latest profit and loss figures. Guidance on completing the spreadsheet is provided on the front page of the spreadsheet. Please then upload the completed spreadsheet onto our online application system using the upload function.

Please explain the assumptions behind your revenue projections. What are these based on?

Please provide us with your projections for how this project and the company as a whole will make money. Is this based on previous experience, or a previous launch of an earlier version of a product?

How do you propose to pay the loan back?

Please provide some narrative on your company's ability to service the debt and your proposed repayment structure and terms.

How much match funding are you bringing to the project?

The maximum investment through the fund is 50% of total development costs, so you will need to find 50% either through alternate external or internal investment.

Where is the match funding coming from and is it confirmed?

Please provide details, including any application dates and when you expect to receive the match funding.

*Please note – we can only count match funding as cash in the bank at time of investment. Money previously invested into a project cannot count. Creative England will only make the loan payment to you when we have a signed copy of your bank statement showing the match funding in place.

Have you received any state aid in the last 3 fiscal years?

Please detail the amount of state aid you have received in the past 3 fiscal years. Please note that state aid can include grants, subsidised loans and rent, business support and investment through tax-efficient scheme such as SEIS. The Creative England Business Loan operates under 'De Minimis' State Aid rules. This means that a private company cannot receive over €200,000 worth of public sector support granted under 'De Minimis' from whatever source in any three year rolling period. For further advice on De Minimis and State Aid please use visit the Department of Business, Innovation and Skills website: www.gov.uk/state-aid

The value of the state aid will be calculated at the point of awarding the loan to the company and will be based on the difference in cost between a commercial loan and a loan through this project.

Company turnover

Please detail your company turnover for the following fiscal years:

- 2012/13
- 2013/14
- 2014/15
- Projected turnover 2016
- Company profit 2013
- Company profit 2014
- Company profit 2015

Please provide us with your latest full accounts.

Please upload.

Please provide your latest set of management accounts.

Where available please upload.

Section: Jobs

This programme is interested in job creation and safeguarding vulnerable jobs. For every £7,000 Creative England loans, we require companies to safeguard and / or create at least one job. For example if the application is for a loan of £70,000 it is expected that this will create and safeguard 10 jobs.

Number of employees:

How many employees does the company currently have? NB: for part time employees please provide full time equivalent. Please note that the RGF regulations state:

Full-time job (FT) = 30 hours or more per week; minimum of 12 months contract

Part-time job (PT) = more than 15 hours, but fewer than 30 hours per week;

Two part-time jobs of 15-29 hours per week = one full-time equivalent (FTE).

How many jobs are you planning to safeguard?

These are jobs that will be maintained as a result of the investment. Jobs are considered safeguarded where there is real threat that they will be lost within 12 months if funding support is not provided.

How many jobs are you planning to create?

Please note; a role can be counted as a job created once the position has been filled for at least 12 months. You have two years from the date of the Business Loan investment to create any contracted jobs. Written confirmation of this will be required if the application is successful.

Application process and deadlines

- The programme is open until March 2017.
- EOIs will be assessed weekly and applicants notified with successful applications being put forward to full application stage
- Assessment of full applications will be conducted internally and externally
- Background internal due diligence will be carried out and proposals shortlisted
- Applicants will be invited to pitch their proposal at our monthly Investment Committee held in Bristol
- Decisions will be communicated to applicants shortly afterwards and further due diligence will be carried out
- Funding agreements will be issued on successful completion of Due Diligence

The decision-making process

We particularly recognise the commercial imperatives that surround product development and will try wherever possible to 'fast track' applications. Our ability to give quick decisions will ultimately depend upon the following factors:

- The completeness of the application and any requested supporting information including confirmation of partnership funding and distributor/ broadcaster/ publisher/ buyer interest.
- A single point of contact at your end for any potential questions that may arise is helpful.
- The amount of funding applied for.
- The number of product development applications being assessed by the Funding Department at the time of application.

Assessment

Once we have received your application, it will go through a formal assessment process. This will be undertaken internally by Creative England and, where appropriate, externally by appropriately qualified independent professional advisors.

The assessors will consider, amongst other things:

- The viability and track record of the applicant company
- The quality of the creative elements

- Cost efficiency and value-for-money for job creation and safeguarding
- The viability of your business plan
- The likelihood of growth and jobs creation and the timeliness of these outcomes
- The availability of key talent
- The market viability of the project and the likelihood of it realising its sales targets
- The likely long-term economic impact of the project should it proceed
- The fit with the strategic aims of the Regional Growth Fund
- The viability of the project budget & plan
- The commercial competence of the proposal and business experience of the applicant company
- The provision of match funding and ability to repay the loan

Offer

If your application is successful, you will be made a formal offer in writing which sets out the level of financial assistance agreed and the conditions under which it will be made.

If your application is unsuccessful, we will let you know the reasons why and offer you feedback on your application. There is no appeal against the decision itself but if you have concerns about any aspect of the application process, Creative England has a detailed Complaints and Appeals Procedure in place. Details are available on request.

Business terms

Initial offers made to companies will be subject to due diligence and will remain open for a period of one month. The offer must be accepted within this time frame or will become void. On successful completion of due diligence a final loan agreement will be issued.

Arrangement fee: In order to cover Creative England's legal and due diligence, we will charge a small arrangement fee of 5% of the total loan value. Creative England strives to keep this fee to the bare minimum needed to cover our costs and generates no profit whatsoever from the loan. All repaid loan monies will be put back into future loans in effect creating a 'revolving fund' to enable us to support creative business in the future.

Monitoring & evaluation

If your application is successful, we will monitor your progress for 3 years. This will allow us to measure the effectiveness of the loan in meeting its strategic aims.

Contact details

For further guidance please contact:
business@creativeengland.co.uk