



Report to: Cabinet Meeting - 26 March 2024
 Portfolio Holder: Councillor Paul Peacock, Strategy, Performance & Finance
 Director Lead: Sanjiv Kohli, Director - Resources
 Lead Officer: Nick Wilson, Business Manager – Financial Services, Ext. 5317.

Report Summary	
Type of Report	Open Report, Non-Key Decision (Separate Exempt Report)
Report Title	Growth Investment Fund
Purpose of Report	To update Cabinet on the scheme and agree its closure.
Recommendation	That Cabinet approve the formal closure of the scheme.
Alternative Options Considered	To review the scheme and consider a refresh/relaunch; this option has not been explored in depth due to the period the scheme has been dormant.
Reason for Recommendation	To formally close the scheme which has not been operational in practice since 2019.

1.0 Background

- 1.1 In 2012, the Council set up the Think BIG loan scheme. Its initial purpose was to assist existing businesses with recognised financial potential, to help with working capital, rather than on seed or early-stage finance. The focus of support should be on quality rather than quantity.
- 1.2 At the outset of the scheme, it was noted that planning should be based on a failure rate of up to 33%, the level experienced by similar funds in the past.
- 1.3 Outputs from the scheme show that there has been a net increase of 86 jobs available in the district.

2.0 Proposal/Details of Options Considered

- 2.1 Since the inception of the scheme, the Council has made 23 loans to businesses, totalling £1,507,968. Of this total, 18 loans have been paid in full, totalling £1,031,999. In addition, the remaining 5 loans have payments of £119,619 against them. Therefore 76.37% of the capital has been returned – a failure rate of 23.63%.

- 2.2 In addition to the payments received against the initial capital outlay, the Council has also levied charges against each loan in fees, £65,064, and interest, £191,310. This has generated an additional £253,436 in income to the Council. £2,938 remains outstanding in unpaid interest.
- 2.3 £246,013 has previously been written off in relation to loan balances on 3 different loans. This leaves a loan balance on the scheme of £110,337, which is owed in relation to loans granted to 2 limited companies. This, together with the £2,938 due in interest, leaves an overall balance on the scheme of £113,275.
- 2.4 After consideration of the above, from the initial outlay of £1,507,968, the Council have received repayments and income totalling £1,405,054. The Council have therefore received back 93.2% of the initial outlay and hence a default rate of 6.8%.
- 2.5 The 23 loans that were granted had generated a net increase of 86 jobs available throughout the district. This was accurate at the time each of the loans had been repaid, and subsequently has not been tested again since.
- 2.6 The 2 remaining companies have both been subject to insolvency action, in each case the companies were wound up by creditors voluntary liquidation, one in 2020 and the other in 2022. In each case, the Council had obtained a charge against the company, thereby ensuring its treatment as a secured creditor, however, following the insolvency, no dividends were paid to any creditor.
- 2.7 Under the Council's constitution, the section 151 officer has delegated authority to write off any amount relating to a debt subject to insolvency.

3.0 Implications

In writing this report and in putting forward recommendations, officers have considered the following implications: Data Protection; Digital & Cyber Security; Equality & Diversity; Financial; Human Resources; Human Rights; Legal; Safeguarding & Sustainability and where appropriate they have made reference to these implications and added suitable expert comment where appropriate.

Financial Implications FIN23-24/8508

- 3.1 At the initial outset of the scheme, it was identified that it held a 33% risk of non-compliance. This equated to a provision for bad debt of £497,600 of the capital outlay.
- 3.2 There is currently £127,366 remaining in the provision for bad debt post the previous written off transactions, which is sufficient to write off the proposed £113,275. The £115 that continue to be paid will be written on each year as and when the payments are received. The remaining £14,091 will be released into the General Fund.
- 3.3 After taking account of the additional income generated in fees and interest, any write off balance on the scheme is reduced to £106,564. This represents a 6.8% actual write off of the outlay.

Legal Implications

- 3.4 The Section 151 Officer has authority to write-off any outstanding amount owed to the Council up to the limit of £20,000 in respect of each debt, or to an unlimited amount in respect of any debt where the debtor is in liquidation or has been declared bankrupt. Items in excess of the amount specified in this delegated authority may only be written off by the Cabinet.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

None