

**Proposed Decisions to be taken by the
Portfolio Holder Sustainable Communities
on or after 23rd November 2012**

Small Business Loans Scheme – Debt Write Offs

Recommendations

- 1) That the Portfolio Holder for Sustainable Communities writes off the outstanding Debts on the Small Business Loans Scheme of £12,325.82.

1.0 Key Issues

- 1.1 The Small Business Loan Scheme continued for many years from the early 1980s providing a number of loans to small businesses to enable them to commence or expand their business. Very often this was provided where other Financial Institutions would not extend further credit to the businesses.
- 1.2 The Scheme started with a balance of £126,000 and this was turned over a number of times so that around £450,000 was given in loans to around 130 businesses. The scheme stopped issuing loans a number of years ago. The last loan issued through the bank account was in 2002 and the last loan issued through the County Council fund was in October 2004.
- 1.3 The principle reason why the County Council's Small Business Loans Scheme was closed at this time was the emergence of the Coventry & Warwickshire Reinvestment Trust (CWRT) – an approved Community Development Finance Institution (which was established to help lend money to businesses, social enterprises and individuals who struggle to get finance from high street banks and loan companies). The CWRT has in the past been successful in accessing significant sums of money from Government, European Funding and the old Regional Development Agency (Advantage West Midlands). It was felt by WCC that this was a larger and more effective vehicle to achieve the outcomes of improved loan financing to small business, and as WCC was fully engaged in the CWRT (and indeed still has a representative on the Loans Awards Panel making decisions on funding) it would be more sensible to support this initiative rather than run a potentially competing service.
- 1.3 We have 8 loans outstanding of which 7 are irrecoverable. These vary in size from £226 to £3,755. The total is £12,225.82. Each loan is summarised in section 3, below. The remaining Debtor is repaying their loan at the rate of £50 per month.

1.4 Earlier loans were managed through a separate bank account. We propose to close this account and repay the funds into the main County Council Fund. The current balance on the account is £34,481.38.

2.0 Proposal

2.1 With Portfolio Holder approval, the one remaining Debtor will be contacted with an offer to write-off their remaining debt, likely to be £249.34. This will enable us to close the account and repay the balance of £34,481.38 into the WCC fund for use on economic development activities.

2.2 With Portfolio Holder approval, we will write off the remaining 8 debts. The total write-off would be £12,225.82. We have provided for the debts that have gone through the WCC fund of £10,830.40 and the remaining £1,395.42 is recorded through the separate bank account. Therefore there will be no impact on the Sustainable Communities revenue budget.

3.0 Remaining Debtors

3.1 The outstanding balance is split across 8 debtors. The table below provides a summary of the debtors (which have been anonymised in the interest of commercial confidentiality) alongside the reason for which the debt is irrecoverable.

Debtor	Outstanding Balance (£)	Reason Irrecoverable
Debtor 1	£1,146.08	Business discontinued / Individual not traceable
Debtor 2	£3,278.55	
Debtor 3	£3,755.84	
Debtor 4	£679.38	
Debtor 5	£919.05	
Debtor 6	£226.44	
Debtor 7	£1,971.14	
Debtor 8	£249.34	This amount is being repaid at the rate of £50 a month, but it is proposed that the debt be written-off in order to enable the scheme to be closed.
Total	£12,225.82	

4.0 Timescales associated with the decision/Next steps

4.1 If the proposals above are agreed then we need to write to the remaining Debtor still making payments and stop the payment going into the bank account. The payment goes into the account on the 25th of the month so the plan is that the last payment will be the 25th November 2012.

- 4.2 Once the payments have stopped we can arrange with the bank to close the account and transfer the remaining balance into the WCC Fund. We should be able to do this by the end of January 2012.
- 4.3 The appropriate accounting entries can then be made on the WCC general ledger to clear the debtor and the corresponding provision for bad debt. This should be able to be done in January 2012 but certainly before the end of the current financial year.
- 4.4 It should be noted that there is currently a proposal being considered as part of the Going for Growth initiative to provide funding for a small business loans scheme, given the increased difficulty that small businesses face in accessing finance since the start of the Credit Crunch. The CWRT's loan scheme has also been significantly reduced this year as funding from other sources, particularly AWM, has come to an end. It is not suggested that WCC would deliver this scheme, but would instead publish an Invitation to Tender to ask external providers of loan funding (including, but not exclusively, the CWRT) to bid to deliver the scheme on our behalf.

Background Papers

N/A

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