

# SME Loan Fund

## Important Information

October 2018



### Who can apply?

The scheme is aimed at providing loan funding for Scottish businesses that fall within the European Commission definition of Small and Medium-sized Enterprise (SME), private sector landlords, not-for-profit organisations and charities.

To be eligible your business must:

- Be based in Scotland.
- Have been trading for at least 12 months.
- Have fewer than 250 employees.
- Have a turnover not exceeding €50 million (approximately £42 million) and/or a balance sheet total not exceeding €43 million (approximately £36 million). (Calculated in accordance with European Commission Recommendation 2003/361/E).
- Have no controlling interest more than 25 per cent by a non-SME.
- Have a satisfactory credit score and be able to afford repayments.
- Agree that repayments will be made within 4 years for energy efficiency only measures and within 8 years for other measures (including renewables).
- Be eligible for funding within the context of EC State Aid rules.
- Be applying for a loan of between £1,000 and £100,000\*.
- Not start work prior to a decision being made on your application.

Private sector landlords can contact the Home Energy Scotland team on 0808 808 2282 for further information on eligibility and assistance with the application process.

### What supporting information do I need?

For the measure(s) that you are applying for, please ensure the following conditions are met:

- A qualifying report must be obtained which details the measures you wish to apply for, along with the cost and carbon savings. All businesses applying must have a report from Resource Efficient Scotland, or for private sector landlords, an Energy Performance Certificate (EPC) or specialist private sector landlord report from Home Energy Scotland. Assessors for an EPC report can be found at [www.scottishepcregister.co.uk](http://www.scottishepcregister.co.uk)



- The installed measure(s) is listed as eligible for support\*
- Two estimates are provided for loans over £25,000
- The installed measure(s) will have an estimated payback period of 20 years or less (based on the financial savings in your qualifying report and the quotations you have provided).
- If you are installing a heating system, you must have made all reasonable and practical effort to improve the building fabric.
- If you are intending to apply for funding to install eligible measures in a new build or extension, the value of loan available will be equal to the difference between installing standard measures (i.e. those required to meet current building regulations) and enhanced measures (i.e. those that will realise additional carbon and cost savings). For example, a standard build or extension may be heated by a gas-fired heating system costing £15,000, but an alternative would be to install a biomass boiler costing £30,000. In this example, a loan of £15,000 could be applied for.
- Movable measures have to remain the property of the business until the loan is fully repaid.

For renewables measures, please ensure the additional conditions are met:

- The main energy efficiency measures recommended in the qualifying report are either already installed or will be installed before the renewables measure
- An MCS (Microgeneration Certification Scheme) accredited installer will be used for renewable installations.

\*Measures not included on the list may also be considered by the Scottish Government for inclusion in the scheme if they are accompanied by a one of the qualifying reports listed above or if Resource Efficient Scotland provide a clear recommendation as to why the measure should be included. No additional measures will be included in the scheme without prior consent from the Scottish Government.



## Which measures are eligible?

What resource saving project do you have in mind? A wide range of measures are eligible for the SME Loan.

If the measure you are considering is not listed, please get in touch as the list is not exhaustive.

### Heating, ventilation and air conditioning

- Condensing, combination, modular and steam boilers
- Boiler - Burner replacement
- Boiler - Burner management
- Warm-air units
- Radiant heating units
- Combined heat and power (CHP) with gas
- Under-floor heating
- Air curtains
- Cooling system replacement/upgrade
- Heating and cooling controls
- Building management systems
- Heat recovery units
- High efficiency fans (destratification, ventilation system fans e.t.c.)
- Commercial hot water systems
- Floor insulation
- Heating system insulation (cylinder, pipes e.t.c.)
- High performance external and internal doors
- High performance window coverings
- Double glazing
- Secondary glazing

### Renewables

- Solar PV
- Wind turbine
- Micro-hydro system
- Solar Thermal
- Biomass boiler
- Biomass room heaters (with radiators)
- Air source heat pump
- Water source heat pump
- Ground source heat pump
- Combined heat and power with Biomass
- Anaerobic digestion
- Wood burning stoves

### Building fabric

- Cavity wall insulation
- Loft insulation
- Flat roof insulation
- Internal wall insulation
- External wall insulation
- Draught proofing



### **Other equipment**

- Measuring, monitoring and control equipment
- Lighting systems, fitting and controls
- Voltage optimisation
- Variable speed drives
- Energy efficient motors and controls
- Air compressors
- Commercial cooking and baking equipment
- Commercial cleaning equipment e.g. washing machines, dryers, dishwashers

- Commercial fridge and freezer units
- Multi-glazed refrigeration doors/covers
- High efficiency hand dryers
- IT equipment
- Swimming pool covers

### **Waste/Water**

- Water efficient taps, showers and toilets
- Rainwater harvester
- Grey water system
- Water recycling systems
- CIP (Cleaning in place) Systems
- CNC equipment
- Composting systems

## **Are there any measures which would not be eligible for funding?**

If the technology you wish to install has a payback of more than 20 years, it will not be eligible for funding.

In addition, applications from businesses looking to sell heat or energy to third parties, be it other businesses or domestic properties, would not be eligible for funding. The SME loan was not set up to cover this type of activity and as such the administrator has no mechanisms in place to confirm that the proposed energy supplier is suitably trained or experienced to ensure a secure and reasonably priced service. Applicants with these type of projects in mind should consider the current [District Heating Loan](#), available from Energy Savings Trust.

## **What is the interest rate?**

Loans are interest free and repayments will be made over eight years. For loans concerning renewable technologies, and if you are intending to receive the Feed-in Tariff (FIT) or Renewable Heat Incentive (RHI), the interest rate is 5 per cent and repayments will be made over eight years.



If you are not intending to claim the FIT or RHI then the loan is interest free. The interest foregone on Resource Efficient SME loans is regarded as state aid under European rules and is granted as 'de minimis' aid under EC regulation 1407/2013, EC 1408/2013 or EC 717/2014. Businesses applying for an interest-free loan should ensure that the interest foregone added to any other 'de minimis' aid received does not exceed the 'de minimis' threshold.

### **Can the SME loan be used with other finance?**

Applicants are actively encouraged to identify all finance options available to them including match funding/co-funding opportunities with the SME loan. For example, why not consider accessing up to 15% capital contribution for energy efficiency measures from the Carbon Trust's Green Business Fund.

Providing the measure is listed on the Energy Technology List, enhanced capital allowances can also be claimed. The ECA scheme allows businesses to write off the whole cost of the equipment against taxable profits in the year of purchase.

### **Is the SME loan considered to be De Minimis Aid under EU State Aid rules?**

*De minimis* aid is only applied to the interest foregone and therefore is only applicable for the interest-free loan.

For example, for an interest free loan of £10,000 paid back over 8 years the *de minimis* aid would be £2,153.52 in interest foregone (based on a compound interest rate of 5%). Further information on De Minimis Aid can be found at: [www.gov.scot/Topics/Government/State-Aid/if-its-aid/deminimis](http://www.gov.scot/Topics/Government/State-Aid/if-its-aid/deminimis)

### **How long will the application process take?**

Applications are processed on a rolling basis all year round, subject to the overall availability of loan funds. The fund administrators reserve the right in consultation with the Scottish Government to suspend or reject preliminary assessments of applications on the basis that there are insufficient funds available in any financial year to provide loans to all applicants.

Once the application is submitted to the fund administrators, providing they have all the information they require, a decision on the outcome will be provided within 10 working days.



## **Who are the fund administrators?**

Energy Saving Trust (EST) administer the scheme and are responsible for processing and assessing loan applications including undertaking the credit check. Applicants will deal with EST for the loan assessment, offer and payment.

## **Why is a credit check required?**

The Resource Efficient Scotland SME loan is financed by the Scottish Government with public funds and is unsecured. It is therefore essential that the fund administrator, Energy Saving Trust, are lending money to organisations that are in a robust financial position and able to support ongoing loan repayments.

The Energy Saving Trust are also authorised and regulated by the Financial Conduct Authority and as such, have a duty to lend responsibly. A credit check gives an indication of an organisation or individuals financial position and their credit history, allowing us to gauge the level of risk that would be incurred as a lender. They will therefore also carry out affordability checks in certain situations to assess the impact of repayments.

## **I want to check my credit rating before I apply – how can I do this?**

There are a number of credit reference agencies that can be used to check your business' credit rating. If your business is set up as a sole trader or partnership then the credit check will be done on an individual so it is important you are aware of your personal credit rating.

If you have concerns regarding the credit assessment we are happy to discuss this further and undertake a credit review at an earlier point that we may normally do.

If an initial credit check is unsuccessful we will look to offer a route of appeal and allow for additional information to be submitted, such as company accounts.

## **When will I receive the loan?**

The agreed loan amount will be released after the measures have been installed and a site inspection by a qualified advisor has been undertaken. Up to 25% of the loan can be paid up front to cover deposits.



## Who should I contact if I have a query about an existing application?

If you have an **outstanding application** and wish to contact a member of the loans team on matters relating to the application, please contact [SMEloans@resourceefficientscotland.com](mailto:SMEloans@resourceefficientscotland.com) or 0808 108 9414.

For **new applications** please contact the Resource Efficient Scotland team on 0808 808 2268

## SME Loan Fund 15% cashback offer

The offer is only available while funds last, commencing October 2018 and excludes renewable technologies (due to the Renewable Heat Incentive).

### How can I apply for the cashback offer?

Unless you are a private sector landlord, the only way to apply for the loan is by contacting the Resource Efficient Scotland helpline on 0808 8082268 or completing the [online registration form](#). If you are contacted about the loan by a third party and have concerns about their authenticity please call the RES helpline who will be able to advise you.

Private sector landlords should contact Home Energy Scotland on 0808 808 2282 if they have any questions or would like any help applying. Please note the values detailed here differ to those available for landlords applying for domestic properties.

Cashback is awarded based on the **total value of measures applied for within your loan application** to a maximum of 15% or £10,000.

For example, if you are applying for £1,000 you would receive a £850 loan and £150 cashback. If you are applying £20,000 you would receive a £17,000 loan and £3,000 cashback.

### I am planning to make more than one loan application – will I receive cashback for each application?

An organisation can make multiple applications but up to the total value of £10k.



### **I previously applied for cashback – can I apply again?**

The maximum cashback value for an organisation is £10,000. If your previous application was for e.g. £2,000 cashback you may apply again for the remaining £8,000.

### **Can I just apply for the grant?**

No, the grant can only be accessed when you receive an Resource Efficient Scotland SME loan.

### **When will I receive the cashback?**

The cashback element will be paid to you (along with the loan) after the measures have been installed and evidence has been provided/a site inspection by a qualified advisor has been undertaken.

### **I submitted my loan application prior to the 1<sup>st</sup> February, will I still be eligible to receive cash-back?**

Yes, if your application is currently being processed, you are eligible to receive cashback subject to your application being approved.

### **I have been offered a loan but have yet to draw down any money, will I still be eligible to receive cash-back?**

Yes, providing you have not commenced your installation, cashback will be paid to you (along with the loan) after the measures have been installed and evidence has been provided/a site inspection by a qualified advisor has been undertaken.

### **I already have a loan, can I apply for a second one to fund another project and claim cashback?**

Yes, assuming all other eligibility criteria are met, you would be able to apply for a second loan up to a maximum funding amount of £100k across the loans, i.e. if you have a remaining budget of £20k on the first loan, the maximum you could apply for would be £80k which would be awarded as a £70k loan plus £10k cashback.





### **I'm planning to match-fund my project with other Scottish Government grant funding – am I still eligible to claim cash-back?**

No, cashback is not available where other Scottish Government grant funding is being accessed. This includes current grants available from Zero Waste Scotland.

### **Is the cashback element of the SME Loan fund considered to be De Minimis Aid under EU State Aid rules?**

Yes, the cashback counts towards your *de minimis* aid allocation. For example, a £10,000 loan would attract cashback of £1,500 which would count toward your allocation in addition to the interest foregone.

### **Are there any measures which are not eligible for the cashback offer?**

Yes, renewable technologies are not eligible for the cashback offer as there already two UK Government schemes in place to encourage uptake, Feed-in Tariffs (FITs) for renewable electricity and Renewable Heat Incentives (RHI) for low-carbon heat generation. The renewable technologies eligible for SME loan funding are listed in the Eligible Technologies list on pages 3 and 4.

In addition, where an applicant who is located in an off-grid (gas) area of Scotland wishes to apply for a loan to fund a heating measure, they will not be eligible to receive cash-back on a fossil fuel system where an alternative renewable system has also been recommended that demonstrates cost and carbon savings.

### **I'm a Private Sector Landlord – am I eligible for the cashback offer?**

Yes, you would be able to apply for funding in the same way, however for domestic properties please note the cashback available differs from the values detailed above. Further guidance for PSLs wishing to make an application can be provided by the Home Energy Scotland team on 0808 808 2282.