



Due Diligence Requirements

(To be read in conjunction with Business Loan Fund Application Guidance)

Once a project Expression of Interest has been accepted by the Humber LEP Investment Panel as meeting the LEP's strategic priorities and delivering economic outputs, the project applicant will be invited to submit a full application. Applications considered by the Investment Panel to appear viable will be subject to a thorough external due diligence check in order to carry out a detailed examination of the applicant's proposal. Projects must satisfy this process before the Investment Panel will recommend to fund any project.

Applicants will be required to demonstrate the need for investment from the Business Loan Fund. The Business Loan Fund must not be used to replace other sources of funding – only projects that cannot proceed without the Business Loan Fund will be progressed.

Due diligence checks will be used to determine interest rates charged for each project by making an assessment of the applicants creditworthiness and the project's security. These rates are not subject to negotiable with the applicant and are set relative to the EU Reference Rate. The better the security provided the lower the interest rate.

Please note that the Humber LEP has a blanket default rate of 10% above the EU Reference rate which is non-negotiable.

Payment of Due Diligence costs

A panel of independent due diligence suppliers has been commissioned on behalf of the Humber LEP. Due diligence reports will only be accepted by the Humber LEP from these firms. Once you have been invited to proceed with your project application, you will be allocated a due diligence appraiser. It is a requirement of the programme that you commence the due diligence process within four weeks of being invited to proceed/allocated an appraiser. It is your responsibility to provide accurate and timely information to ensure that the due diligence can be completed effectively.

The Humber LEP anticipates that the average due diligence check should take up to four weeks to complete. The LEP will fund all due diligence costs up to a ceiling of £3,500 providing that:

- The project proceeds after a successful due diligence process and the loan is taken up by the applicant

- The applicant has gone through the process and are refused a loan by the LEP provided they have provided accurate information in a timely manner. (Note: the LEP Investment Panel will not invite projects to proceed that are likely to fail the process)

The applicant may be charged for due diligence costs under the following circumstances:

- Additional due diligence costs over the £3,500 ceiling are incurred due to the applicant failing to supply required adequate information in a timely manner, misrepresenting their situation or changing their proposals.
- The applicant fails to proceed with due diligence within a suitable timescale (applicants will normally be expected to complete the due diligence process within six weeks of starting). Unless there are special circumstances, agreed with the LEP in advance, applicants who do not complete the process within 18 weeks will be automatically be rejected by the Investment Panel and required to pay costs incurred to date
- After successful due diligence checks, the applicant refuses the loan. Typically any loan offer from the LEP would remain valid for up to 3 months after which the offer will expire.

Key Information & Documents

Key information and documents requested in the full application & due diligence stages include but are not restricted to the following items:

(Note: the Humber LEP reserves the right to request further information or evidence from any applicant at any stage of the application and due diligence process)

Project Overview and Status

1. Development programme, including milestones and expenditure.
2. Business Plan specific to this project and addressing issues including:
 - Project/financial risks and mitigation strategies
 - Organisation chart detailing stakeholders to the project and their roles and summarising the proposed contractual arrangements between parties.
 - Details of any due diligence undertaken to date, with supporting evidence.
 - Summary of similar projects undertaken by the applicant in the last 5 years and the outcomes of these projects.

Commercial

1. Three years historic Accounts plus current Management Accounts to demonstrate sound business management
2. Financial forecast in detail (cash flow, P&L and Balance sheet) to demonstrate availability of internal resources and to support the overall business case of the project.

3. Copies of supporting evidence behind the costings – e.g. quotations for work, detailed sales forecasts with explanations
4. Details of other investors in the scheme, evidence of funder commitment.
5. Details of security to be offered regarding BLF repayment and any other charges relevant to the project.
6. Details of the terms sought for the loan.
7. Summary overview of the development of the contractual documentation underpinning the project obligations.

Legal

1. How the applicant believes that the terms on which monies are to be made available are in line with State Aid regulations
2. Copies of proposed terms of appointment for the project team
3. Copies of surveys, e.g. ground condition, contamination, archaeological, asbestos etc.
4. Information regarding legal title to the site - you will need to supply a copy of the land registry title and plan relevant to the site(s).
5. Position regarding all consents for the works.