

**REPORT TO:** FAIR WORK, ECONOMIC GROWTH AND INFRASTRUCTURE  
COMMITTEE – 17 FEBRUARY 2025

**REPORT ON:** BUSINESS LOANS SCOTLAND

**REPORT BY:** EXECUTIVE DIRECTOR OF CITY DEVELOPMENT

**REPORT NO:** 30-2025

## **1 PURPOSE OF REPORT**

- 1.1 This report updates Committee on the operation of Business Loans Scotland and seeks approval to invest legacy funding in a Proof of Concept (POC) Fund in partnership with the University of Dundee.

## **2 RECOMMENDATION**

- 2.1 It is recommended that the Committee:
- a notes the changes in funding for Business Loans Scotland;
  - b approves the proposal to re-invest legacy funding in a Proof of Concept (POC) Fund Programme in partnership with University of Dundee with the aim of catalysing life science and healthcare sector spinout companies.

## **3 FINANCIAL IMPLICATIONS**

- 3.1 There are no financial implications for the Council arising from this report.
- 3.2 The pilot phase of the POC scheme has been funded in 2024/2025 by £100,000 from Dundee's UK Shared Prosperity Fund allocation matched in kind Dundee University.
- 3.3 Investment in the POC scheme in 2025/2026 will be fully funded through transfer of £137,261.62 legacy funding from Business Loans Scotland (BLS) also matched in kind by Dundee University.

## **4 BACKGROUND**

- 4.1 Business Loans Scotland (BLS) is a consortium of Scotland's 32 local authorities, incorporated as a company limited by guarantee which administers a number of loan funds providing finance to growth businesses across Scotland.
- 4.2 BLS evolved from two previous funds, namely the West of Scotland Loan Fund, which started lending in 1996 and the East of Scotland Investment Fund, which started lending in 2010, both of which supported over 2,000 businesses with £47million of funding, helping create over 8,000 new jobs
- 4.3 Between 1 January 2019 and 31 March 2024, BLS has been acting as the Fund Manager for one of the debt funds, under the Scottish Growth Scheme, on behalf of the Scottish Government/Scottish Ministers. The Scottish Growth Scheme was fully financed by the Scottish Government, providing loans ranging from £25,000 to £250,000 to eligible, small and medium sized businesses based in Scotland.
- 4.4 Over a 5-year period to 31 March 2024, BLS issued £16.2 million in loan funding to 190 small and medium sized enterprises across Scotland supporting the creation of 658 new jobs.

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- 4.5 In July 2024, due to financial constraints, the Scottish Government announced that it would not recapitalise the Scottish Growth Scheme for 2024-2025 and there are no plans in place to continue BLS lending by utilising legacy funding held by some local authorities in the BLS scheme. These funds pre-date the full capitalisation of the scheme by Scottish Government referenced at 1.3 above.
- 4.6 Dundee City Council's ringfenced share of legacy funding is £137,261.82 and the operational criteria for BLS enables Dundee City Council to submit a withdrawal request at any time if the monies are to be used in pursuit of "economic development objectives" and more specifically for "SME development activities".
- 4.7 Reference is made to Article VII of the minute of the City Development Committee on 24 January 2022 where committee delegated to the Executive Director of City Development various actions in support of the development of a Life Sciences Innovation District and remitted the Executive Director of City Development to explore external funding opportunities.
- 4.8 Dundee University will open its new Life Sciences Innovation Hub at Dundee Technopole in March 2025 with financial support through Tay Cities Deal, Scottish Enterprise, the Wolfson Foundation, Garfield Weston Foundation, the University of Dundee and UK Government through the UK Shared Prosperity Fund. This will provide 4973 square metres over three storeys with biopharma, biotech and informatics space (including chemistry) providing specialist infrastructure to support life sciences commercialisation, collaboration, and innovation. The hub has potential to support over 800 new life sciences jobs by 2053 and deliver over £190 million of benefit to the local economy.
- 4.9 Dundee University has a good track record of translating research into commercial success in the form of spinout companies and was recognised by Octopus Ventures in 2023 as top University in the UK for spinouts. The University was also recognised as European University of the Year in 2024 (Triple E Awards, September 2024) and Outstanding Entrepreneurial University of the Year (Times Higher Education Awards, November 2024).
- 4.10 Successful spinouts include Amphista Therapeutics, Exscientia, Myway Digital Health, Tay Therapeutics and Outrun Therapeutics.
- 4.11 The opening of the Dundee Life Sciences Innovation Hub in 2025 creates an imperative to maximise the pipeline of spinout companies and to remove barriers to translating innovative research into commercial opportunity and job creation.
- 4.12 The Scottish Higher Education Sector has a strong track record of attracting Life Sciences research funding with 22.6% of total UK Bioscience Research funding coming to Scotland against a UK population share of 8.2%. However, relative to this, Scotland lags in terms of translating this into commercial success, new spinouts and job creation. A proxy for the latter is that Scotland only secures 6% of UK R&D tax credits.
- 4.13 A factor in this relatively poor performance is lack of access to proof-of-concept funding with little provision made by governments and their agencies for this. Such funds typically invest in technical work or the "killer experiment" which can then lead to commercialisation by attracting significant seed and Series A funding to grow companies of scale.
- 4.14 A pilot for this Proof-of-Concept (POC) Fund is being delivered in 2024/2025 through £100,000 of UK Shared Prosperity Funding, match funded in-kind by University of Dundee.
- 4.15 It is recommended that an application is made to the BLS Board to withdraw Dundee City Council legacy funding from BLS and re-invest this in the POC Fund. This additional funding will help to ensure that, in total, the POC Fund can support up to seven projects with the potential to catalyse further spinouts and potential tenants for the new Life Sciences innovation Hub at Dundee Technopole.

- 4.16 The Fund Manager for Business Loans Scotland has reviewed this proposal in advance of a formal withdrawal request being submitted to the BLS Board and has advised that this proposal would meet the criteria set in terms of supporting “SME development activities”.

## **5 POLICY IMPLICATIONS**

- 5.1 This report has been subject to the Pre-IIA Screening Tool and does not make any recommendations for change to strategy, policy, procedures, services or funding and so has not been subject to an Integrated Impact Assessment. An appropriate Senior Manager has reviewed and agreed with this assessment.

## **6 CONSULTATIONS**

- 6.1 The Council Leadership Team were consulted in the preparation of this report.

## **7 BACKGROUND PAPERS**

- 7.1 None.

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10 January 2025

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