

# **PERTH AND KINROSS COUNCIL**

## **Strategic Policy and Resources Committee**

**28 November 2018**

### **RURAL PERTH AND KINROSS MICRO ENTERPRISE FUND AND MICRO CREDIT FUND**

**Report by Depute Chief Executive (Report No. 18/393)**

#### **PURPOSE OF REPORT**

This report updates the Strategic Policy & Resources Committee on the proposed Rural Micro Enterprise Fund and Micro Credit Fund. Funding was allocated in the 2018/19 and 2019/20 budgets for a Rural Business Property Fund (£100K in 2018/19 and £100K in 2019/20); and for £100K in 2019/20 for a Micro Credit project. The Committee is asked to approve the creation of a grants scheme targeted at small rural businesses and community enterprise projects. They are also asked to approve in principle the creation of a Micro Credit Fund.

#### **1. BACKGROUND**

- 1.1 In February 2018, the Council approved additional funding towards a Rural Business Property Fund £100,000 in both 2018/19 and 2019/20; and £100K in 2019/20 for a Micro Credit project.
- 1.2 Currently, no funding is available to directly support businesses through the Council's Economic Development budgets. The Council has, in the past, established grant funds to support business development which have proved popular with the business community. Increasingly, there are limited sources of public sector grant funding available to businesses. Loan finance is more readily available, in the main via either Business Loans Scotland for loans between £25,000 and £100,000; or from the Scottish Micro Finance Loan Fund operated by DSL Business Finance for loans less than £25,000.

#### **2. PROPOSALS**

##### **Rural Micro Enterprise Fund**

- 2.1 The proposal is to widen the scope of the previously proposed Rural Business Property Fund to establish a new Rural Micro Enterprise Fund to support micro businesses, social enterprises and constituted community organisations (all employing less than ten employees). The Fund will support them to invest in projects which will make a positive economic impact on their businesses and on the wider local economy.
- 2.2 Appendix 1 outlines the proposed criteria for the Rural Micro Enterprise Fund. The business, social enterprise or community organisation must be able to demonstrate clearly that the project is essential to support the growth of the business. A wide range of types of projects will be able to be supported

across all business sectors. The funding was originally proposed to support rural businesses; therefore it is proposed that the three Perth City wards be excluded from the Fund.

- 2.3 The Fund will be operational from early December 2018 if approved by Committee; and funding available until March 2020 (with £100,000 available in 2018/19 and £100,000 available in 2019/20). It is proposed the minimum grant will be £1500, and the maximum £10,000, with a grant rate of up to 90% available.

### **Micro Credit Loan Fund**

- 2.4 The Financial Conduct Authority (FCA) regulate the provision of credit to individuals and businesses in the UK. All organisations require to be licensed by the FCA to provide financial products; there are very limited exceptions for Local Authorities, which means that it would be impractical for us to establish and operate a micro credit fund for businesses. However, we could outsource the running of the Fund to an organisation which is regulated by the FCA such as the Perth and Kinross Credit Union.
- 2.5 A variety of methods will be utilised to market the financial assistance to potential applicants. Press releases and articles will be inserted in relevant publications and on websites, and social media will be widely utilised. In addition, we will use the communication channels of our Community Planning partners; including the Perthshire Chamber of Commerce, the Federation of Small Businesses, the Business Gateway, Perth College UHI, Scottish Enterprise and Growbiz to highlight the new Micro Enterprise Fund and proposed Credit Fund to potential applicants.

## **3. CONCLUSION AND RECOMMENDATIONS**

- 3.1 The proposed new Rural Micro Enterprise Fund and Micro Credit Loan Fund will support small businesses/social enterprises/community organisations to grow and new ones to be established over the next 18 months, in what are currently difficult trading conditions.
- 3.2 It is recommended that the Committee:-
- i. Approves the Rural Micro Enterprise Fund as set out in Appendix 1
  - ii. Authorises the Head of Finance to continue discussions with interested parties; and, if agreed, enter into a Service Level Agreement with them to deliver a micro credit loan fund.

### **Author**

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**Approved**

<b>Name</b>	<b>Designation</b>	<b>Date</b>
Jim Valentine	Depute Chief Executive (Chief Operating Officer)	20 November 2018

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## 1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

<b>Strategic Implications</b>	
Community Plan / Single Outcome Agreement /Perth City Plan	<b>Yes</b>
Corporate Plan	<b>Yes</b>
<b>Resource Implications</b>	
Financial	<b>Yes</b>
Workforce	<b>Yes</b>
Asset Management (land, property, IST)	<b>None</b>
<b>Assessments</b>	
Equality Impact Assessment	<b>None</b>
Strategic Environmental Assessment	<b>None</b>
Sustainability (community, economic, environmental)	<b>None</b>
Legal and Governance	<b>None</b>
Risk	<b>Yes</b>
<b>Consultation</b>	
Internal	<b>Yes</b>
External	<b>None</b>
<b>Communication</b>	
Communications Plan	<b>None</b>

### 1. Strategic Implications

#### Community Plan

- 1.1 The activities contribute to the Community Plan's strategic objectives of 'Promoting a prosperous, inclusive and sustainable economy', and the outcomes of 'a thriving, expanding economy' and 'employment opportunities for all'.

#### Corporate Plan

- 1.2 Perth and Kinross Council Corporate Plan sets out five strategic objectives:
- (i) Giving every child the best start in life;
  - (ii) Developing educated, responsible and informed citizens;
  - (iii) Promoting a prosperous, inclusive and sustainable economy;
  - (iv) Supporting people to lead independent, healthy and active lives; and
  - (v) Creating a safe and sustainable place for future generations.
- 1.3 This report relates to Objective (iii) 'Promoting a prosperous, inclusive and sustainable economy' and the outcome of 'Thriving, expanding economy' by encouraging enterprising businesses and communities.

## **2. Resource Implications**

### Financial

- 2.1 Funding was allocated via a Budget Motion in both the 2018/19 and 2019/20 budget for a Rural Business Property Fund (£100K in 2018/19 and 2019/20). This funding will be utilised to establish the Rural Micro Enterprise Fund. In addition, funding was allocated via a Budget Motion in February 2018 to create a Micro Business Loan Fund in 2019/20.

### Workforce

- 2.2 Existing staff within the Planning and Development Division will be allocated to administer the new Rural Enterprise Fund.

### Asset Management

- 2.3 There are no Asset Management implications arising as a result of this report.

## **3. Assessments**

### Equality Impact Assessment

- 3.1 Not applicable.

### Strategic Environmental Assessment

- 3.2 The Environmental Assessment (Scotland) Act 2005 places a duty on the Council to identify and assess the environmental consequences of its proposals. No further action is required as it does not qualify as a PPS as defined by the Act and is therefore exempt.

### Sustainability

- 3.3 Under the provisions of the Local Government in Scotland Act 2003 the Council has to discharge its duties in a way which contributes to the achievement of sustainable development. In terms of the Climate Change Act, the Council has a general duty to demonstrate its commitment to sustainability and the community, environmental and economic impacts of its actions. The activities in this report will contribute towards sustainable economic development in Perth and Kinross.

### Legal and Governance

- 3.4 The consideration of the report is in line with the Council's Scheme of Administration and specifically the role of the Environment and Infrastructure Committee in developing measures to support and promote economic activity.

## Risk

- 3.5 Risks and the controls required to mitigate any risks will be reported through the Council's risk management process

## **4. Consultation**

### Internal

- 4.1 The Heads of Legal and Governance, Democratic Services, and Finance, have been consulted in the preparation of this report.

## **5. Communication**

- 5.1 Any communications required will be undertaken by the Council. However we will also utilise the communication channels of our Community Planning partners (including the Perthshire Chamber of Commerce, the Federation of Small Businesses, the Business Gateway, Perth College UHI, Scottish Enterprise and Growbiz) to highlight the new Micro Enterprise Fund and proposed Loan Fund to potential applicants.

## **2. BACKGROUND PAPERS**

- 2.1 There were no background papers utilised in the preparation of this report.

## **3. APPENDICES**

- 3.1 Appendix 1 - Rural Perth & Kinross Micro Enterprise Fund – Proposed Criteria