

PERTH AND KINROSS COUNCIL
STRATEGIC POLICY AND RESOURCES COMMITTEE

24 November 2021

**RURAL PERTH AND KINROSS MICRO CREDIT LOAN FUND UPDATE AND
ENTREPRENEURIAL ACTIVITIES**

Report by Head of Planning and Development
(Report No. 21/221)

This report updates the Strategic Policy & Resources Committee on the Perth and Kinross Rural Micro Credit Loan Fund of £100,000, which was approved in February 2018 as part of the Council's Revenue Budget for 2019/20. The report sets out the current position, the issues in delivering the Fund as intended, and requests that Committee agree to a change of use and to award a grant of £100,000 to Growbiz. This is to provide support activities for rural young entrepreneurs and increased diversity in our rural entrepreneurial base.

1. BACKGROUND

- 1.1 On 22 February 2018, the Council approved additional revenue funding of £100,000 towards the creation of a Rural Micro Credit Loan Fund as part of its Revenue Budget for 2019/20 (Report No: 18/47 refers). On 28 November 2018, this Committee authorised the Head of Finance to continue discussions with interested parties; and, if agreed, enter into a Service Level Agreement (SLA) with them to administer a micro credit loan fund (Report No:18/393 refers).
- 1.2 The Financial Conduct Authority (FCA) regulates the provision of credit to individuals and businesses in the UK. Most organisations, including not-for-profit businesses and social enterprises, require to be authorised by the FCA to provide financial products. However, local authorities do not require FCA authorisation to issue interest free loans (or interest paying loans if the value is less than £160 or greater than £60,260). Council officers considered operating a scheme that would provide interest free micro-loans but concluded that the cost in staff time to administer such a scheme over a long period of time could not be justified, and that a third-party provider would be sought. The only local organisation with the necessary FCA authorisation is Perth and Kinross Credit Union.
- 1.3 Subsequently, an agreement was reached with Perth & Kinross Credit Union (PKCU) to manage the loan fund on behalf of Perth & Kinross Council for a percentage management fee, payable by the borrower.

- 1.4 Although Credit Unions can lend to businesses, this was something PKCU hadn't chosen to do previously, and the agreement took some time to be reached. The best terms the PKCU could offer was that directors, business owners and sole traders were eligible for a personal loan up to the value of £1,500, with interest payable at 3% per month, and repayable within 12 months. This interest rate is the standard rate for the non-secured and non-members scheme already offered by PKCU and reflects, from PKCU's experience, a high level of loan default and the need to cover risk, particularly when loans are not secured.
- 1.5 The scheme was widely marketed by the Council and its strategic partners including the Perthshire Chamber of Commerce, the Federation of Small Businesses, Business Gateway, Perth College UHI, Scottish Enterprise, Growbiz and PKCU itself. For example, the scheme was promoted through the business bulletin which is regularly emailed to micro and small business owners across Perth and Kinross, and the scheme continues to be promoted on the PKCU website. Despite this, there has been no demand for these micro loans. Recent discussions with PKCU concluded that poor demand is partly a reflection of the economic climate; partly because a preferential borrowing rate can be obtained from other sources; and not least because of the availability of (non-repayable) micro grants from PKC.
- 1.6 Members should also be made aware that the Service Level Agreement (SLA) drawn up and signed with PKCU required the cash to operate the fund to be transferred within 14 days of the signature date of the agreement. £60,000 was initially transferred to provide PKCU with cashflow to start a smooth distribution of loans. Should members agree that the micro loan fund cannot be delivered by PKCU, the £60,000 will be returned.

2. PROPOSALS

- 2.1 The Perth and Kinross Economic Wellbeing Plan, approved by the Council on 31 March 2021 (Report No: 21/37 refers), identified a range of actions to support businesses and entrepreneurial activities.
- 2.2 To complement existing support for businesses through Business Gateway, Growbiz and other organisations, the Council approved the following financial support schemes (Ref: No. 21/33):
- £200,000 in 2021/22 to provide 90% grants of up to £1,000 to micro businesses. 114 grants have so far been approved totalling just £106,000 (as of 5 November 2021).
 - £175,000 in 2021/22 to stimulate business crowdfunding. This scheme is just being launched and no grants have been approved.
 - in addition, there is a recurring budget allocation of £75,000 to provide market development grants to help businesses to access new markets and customers beyond Scotland. In the current financial year, 3 grants have been approved totalling £4,675.

- 2.3 It is important that the proposal for the use of the funding allocated to the micro credit loan fund supports the delivery of the Wellbeing Plan. It should also add value to existing financial and non-financial business support mechanisms.
- 2.4 Having considered and discussed the issue with members of the Economic Wellbeing Task Force, the Committee is asked to consider the following proposal for the change of purpose of the available funding.
- 2.5 It is proposed to award a grant of £100,000 to Growbiz to support rural entrepreneurial activities, as identified in the Perth and Kinross Economic Wellbeing Plan, but not yet funded. This would put Perth and Kinross at the forefront of the 'Economic Transformation' agenda using innovative entrepreneurship support as a catalyst for business creation. It would realise the vision to develop an entrepreneurial culture that empowers and enables people to transform our economy in a way that is sustainable and fair. The proposed activities will deliver the following outcomes.

Supporting our rural Young Entrepreneurs

- 2.6 Enhancing the resilience of our rural economy and retaining our young talent are key challenges highlighted in the Economic Wellbeing Plan. Young people living in rural areas are also more likely to have been disadvantaged by the COVID related economic downturn due to the disproportionate impact on tourism and hospitality. Part of the response is to target support and develop skills to encourage young people (up to 25 years old) in rural Perth and Kinross to start their own business or become self-employed.
- 2.7 It is proposed to use £50,000 of the unused allocation towards an innovative and tailored programme to support 20 young entrepreneurs in rural Perth and Kinross. Applicants will be offered a year-long intensive and comprehensive support programme which will include:
- Allocation of a 1-1 enterprise facilitator for each participant (6 hours per month)
 - Group learning sessions on a range of enterprise and personal development topics including idea development; business planning; marketing; circular economy/sustainability; selling with confidence; pricing; social media; presentation skills etc. (18 sessions)
 - Mentor and mentee training for all participants (4 workshops)
 - Allocation of a mentor (or reverse mentor where appropriate)
 - Monthly peer support meetings (10 meetings)
 - Work experience and placements with rural businesses (at least one week for each participant)
 - Individual and group cloudrooms and use of e-learning centre
 - Networking sessions with inspiring speakers (four sessions)
 - Each of the participants will also have access to a start-up grant of £1000.

- 2.8 The programme will particularly encourage rural young entrepreneurs to take full advantage of the opportunities offered by the digital and the net zero transformation of our economy. Beneficiaries will also be signposted to and supported to apply to the Business Crowdfunding scheme referred in paragraph 2.2. The total costs of that programme are £100,000 of which £50,000 has already been secured from the Gannochy Trust. The costs per participant are high, but they reflect the wrap around nature and intensity of the support. It is also envisaged that at least another 10 young people will benefit from the programme through attendance at learning and networking sessions, leading to alternative outcomes such as employment, training, or education. As this is a year-long programme, if agreed, the grant will cover activities from December 2021 to November 2022.

Supporting Diversity in our rural Entrepreneurial base

- 2.9 Enhancing the resilience of the rural economy and maximising the capacity for individuals who live there to fulfil their potential are key challenges highlighted in the Economic Wellbeing Plan. Although dynamic and motivated many women (specifically the over 50s) or individuals with a disability or from an ethnic minority group, can face barriers to starting or growing a business. For example, they may find it difficult to access finance and support or have low confidence.
- 2.10 It is proposed to use £50,000 of the budget motion allocation to provide at least 50 individuals with 1-1 enterprise facilitation, mentor and mentee training, allocation of a mentor and monthly peer support meetings. In addition, participants will be able to access accredited coaching support if needed. Coaching seeks to enable quick interventions and are generally restricted to a few hours' maximum per client (3 hours maximum). Coaching sessions may focus more on specific personal issues that prevent individuals to start or grow a business. 100 hours (£10,000) would be allocated for coaching sessions, potentially assisting between 33 to 50 individuals. Certified coaches will be identified by Growbiz. If agreed, the support would start in December 2021 and will be reviewed after 6 months.
- 2.11 The programme will particularly encourage individuals to take full advantage of the opportunities offered by the digital transformation of the economy and there will also be a particular focus on the opportunities to address some of the challenges within the health and social care sector in rural areas. Support with carbon reduction and circular economy strategies, and a 'net zero' approach will be incorporated into the programme. Participants will also be signposted to Business Gateway and supported to apply to the micro grant scheme referred in paragraph 2.2 for kick start support, as well as the Business Crowdfunding scheme.

3. CONCLUSION AND RECOMMENDATIONS

- 3.1 The proposed entrepreneurial support activities will support business start-up and growth for rural young entrepreneurs and increased diversity in the rural entrepreneurial base, in what are currently very difficult trading conditions post-COVID. The revised programme of support will make a significant contribution to this whilst complementing other sources of funding and support.
- 3.2 It is recommended that the Committee:
- (i) notes the position in relation to the Perth and Kinross Credit Union in terms of the administration of the micro loans fund;
 - (ii) agrees not to proceed with the distribution of the loans fund under the Service Level Agreement and agrees to recover the £60,000 previously provided to PKCU;
 - (iii) agrees to award a grant of £100,000 to Growbiz split between 2021/22 and 2022/23 to provide support for rural young entrepreneurs and increased diversity across the rural entrepreneurial base.

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Barbara Renton	Executive Director (Communities)	9 November 2021

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1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

Strategic Implications	Yes / None
Community Plan / Single Outcome Agreement	Yes
Corporate Plan	Yes
Resource Implications	
Financial	Yes
Workforce	No
Asset Management (land, property, IST)	No
Assessments	
Equality Impact Assessment	Yes
Strategic Environmental Assessment	Yes
Sustainability (community, economic, environmental)	Yes
Legal and Governance	Yes
Risk	Yes
Consultation	
Internal	Yes
External	Yes
Communication	
Communications Plan	Yes

1. Strategic Implications

Community Plan / Single Outcome Agreement

- 1.1 The Community Plan/Single Outcome Agreement 2017 – 2027 lays out five outcomes focused strategic objectives which provide clear strategic direction, inform decisions at a corporate and service level and shape resources allocation. They are as follows:
- (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
 - (v) creating a safe and sustainable place for future generations
- 1.2 This report relates to objective (iii) by maximizing and enhancing economic development opportunities to the benefit of businesses and local communities, encouraging new business creation and growth of existing businesses through education and training support.

2. Resource Implications

Financial

- 2.1 Capital – None.

- 2.2 Revenue – There are no revenue implications arising from the report. It is proposed to change the purpose of the allocated funding.

Workforce

- 2.3 There is no workforce implication arising from the report.

Asset Management (land, property, IT)

- 2.4 There is no asset management implication arising from the report.

3. Assessments

Equality Impact Assessment

- 3.1 Under the Equality Act 2010, the Council is required to eliminate discrimination, advance equality of opportunity, and foster good relations between equality groups. Carrying out Equality Impact Assessments for plans and policies allows the Council to demonstrate that it is meeting these duties.
- 3.2 The information contained within this report has been considered under the Corporate Equalities Impact Assessment process (EqIA) and has been assessed as **relevant** and the following positive outcomes expected following implementation: young people, people with disability, ethnic minorities and women will be encouraged to become entrepreneurs by tailored and flexible access to support.

Strategic Environmental Assessment

- 3.3 The Environmental Assessment (Scotland) Act 2005 places a duty on the Council to identify and assess the environmental consequences of its proposals.
- 3.4 The information contained within this report has been considered under the Act. Pre-screening has identified that the PPS will have no or minimal environmental effects, it is therefore exempt.

Sustainability

- 3.5 Under the provisions of the Local Government in Scotland Act 2003 the Council must 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.
- 3.6 The information contained within this report has been considered under the Act. The proposals will enhance socio economic and economic development opportunities to the benefit of businesses.

Legal and Governance

- 3.7 The Head of Legal and Governance has been consulted on these proposals and there are no legal implications.

Risk

- 3.8 There is one key risk associated with the proposal:
- risks associated with not being able to spend the funding in 2021/22. There is a risk that not sufficient time would be available to organise and deliver activities. The risk will be mitigated by providing a grant to Growbiz spanning between December 2021 to July and December 2022. This risk will be managed by the Communities Senior Management Team.

4. Consultation

Internal

- 4.1 The Head of Finance and the Head of Legal and Governance have been consulted in the preparation of this report.

External

- 4.2 PKCU and Growbiz have been consulted in the preparation of this report.

5. Communication

- 5.1 The recommendations from the report will be communicated to stakeholders and the press through the media team.

2. BACKGROUND PAPERS

- 2.1 No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above report.

3. APPENDICES

- 3.1 None.