



11 June 2013

Agenda Item: 11

REPORT OF THE GROUP MANAGER, CORPORATE STRATEGY

NOTTINGHAMSHIRE MICRO LOAN FUND

Purpose of the Report

1. To offer the Committee an update on the proposed Micro Loan Fund in Nottinghamshire, and offer options for the use of the unrequired funds.

Information and Advice

Background

2. Following a report to Economic Development Committee on 27th November 2012 identifying unallocated funds, a contribution of £20,000 was approved towards establishing a Micro Loan Fund for Nottinghamshire.
3. The Micro Loan Fund proposal was the result of an approach by the Nottinghamshire Community Foundation (NCF) who, in partnership with the Fredericks Foundation, a national charity, were establishing a Micro Loan Fund for Nottingham city and Nottinghamshire County. This would be backed by up to £200,000 of Regional Growth Fund monies from the Government, subject to local match funding being secured.
4. The Micro Loan scheme follows a national model developed by Fredericks which fills a gap in existing business support, as it offers development loans and business support to start-up and expanding businesses which have been refused by a bank or other mainstream lenders. The scheme targets people who are disadvantaged in varied respects including ethnicity, disability, geographical location, criminal record or background.
5. All money donated contributes to a self-sustaining pot, and can be ring fenced for use in specific districts. Nottinghamshire County Council was the first donor to contribute to the Nottinghamshire pot, with Mansfield and Ashfield making a commitment soon afterwards. The NCC contribution was transferred to NCF at the end of March 2013.
6. In April 2013, NCF informed the County Council that their Board of Trustees had taken the decision not to continue with the scheme. Economic Development Committee therefore needs to consider how to allocate the £20,000 which is no longer required to support the loan scheme.

Options

7. In the first instance, the County Council will request the return of the £20,000 from the Community Foundation as the project it was approved for no longer exists.
8. A number of ways of using the £20,000 allocated to the Micro Loan Fund could be considered. It is likely that these will not be able to target the specific gap left by the Micro Loan Fund as a loan scheme operating with £20,000 would raise significant viability and administrative issues. NCF have suggested that their existing Dragons' Den model could be rolled out further and that a mixture of grants and loans could be offered through that route. NCF also suggest that their initial research in terms of the Micro Loan Fund showed demand for pre-start-up support rather than for direct financial intervention.
9. The above options should be considered alongside a short piece of research to understand demand in Nottinghamshire for direct financial support to businesses and any potential gaps in the existing business support offer. It should be noted that any project approved by Committee would need to be procured through the usual County Council routes.
10. Nottinghamshire County Council has already supported the development of several other business focussed programmes:
 - Business start-up support through NBV, offers advice and support but not loans
 - Peer to peer funding offering loans to support to small and medium businesses, with a credit risk assessment carried out, but is only available for established businesses, not start-ups or high risk businesses
 - The Nottinghamshire Investment Fund, which will offer equity based investment to companies from a circa £40 million pot which is backed by central Government funds and the Nottinghamshire Pension Fund. Beneficiaries of this investment are likely to be established companies with the potential for high growth
11. These operate alongside a range of funding schemes delivered through Government or local funding sources, including support which targets social enterprise development and young entrepreneurs.

Reason/s for Recommendation/s

12. Committee is required to note that the Micro Loan Fund project has failed to go ahead, and that therefore funds will have to be returned to the County Council. Committee will need to consider options for future use of the funds.

Statutory and Policy Implications

13. This report has been compiled after consideration of implications in respect of finance, equal opportunities, human resources, crime and disorder, human rights, the safeguarding of children, sustainability and the environment and those using the service and where such implications are material they are described in the report.

Financial Implications

14. The cost for delivering the options offered has already been met from the 2012-13 budget, unless additional funding is required and approved. A procurement exercise would need to be carried out to award any new contract.

RECOMMENDATIONS

That Committee:

- a) note the cessation of the Nottinghamshire Micro Loan Fund project;
- b) consider options for the re-use of the £20,000 allocation;
- c) receive a further report at their next meeting with a proposal on future use of the funding.

Report of the Group Manager, Corporate Strategy

For any enquiries about this report please contact: Hilary Porter ext 72146

Constitutional Comments [CEH 24.05.13]

The recommendations fall within the remit of the Economic Development Committee.

Financial Comments (SEM 23/05/13)

The financial implications are set out in the report.

Background Papers

None

Electoral Division(s) and Member(s) Affected

All