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To: Communities Cabinet Committee

Date: 14 March 2013

Subject: **Expansion of the parameters of the Kent Big Society Fund in response to proposals made in the annual report from the Kent Community Foundation to KCC – Decision No 13/00019**

Classification: Unrestricted

Summary : This report provides details about the decision to allow investment of a one-off donation of £130,000 from the Big Society Fund to support the development of a micro-finance hub in Kent managed by the Fredericks Foundation

Recommendation: Members of the Cabinet Committee are asked to consider and either endorse or make recommendations on the Cabinet Member decision

1. Introduction

- 1.1 The Kent Big Society Fund was established in January 2012 by charitable donation from Kent County Council (KCC) to Kent Community Foundation (KCF). The Key Decision (11/01755) was taken by the Cabinet Member for Customer & Communities on 16 December 2011. The Fund operates principally as a social finance loan scheme and its main aims are to support growth in the social enterprise sector and to create and sustain new employment opportunities.
- 1.2 The governance arrangements allow for KCF to make an annual report to KCC on the performance of the Fund and, on the basis of market analysis, to make proposals for amending the parameters of the Fund.
- 1.3 The first annual report has now been received from KCF. A proposal has been made that a one-off allocation of £130,000 is made from the Fund to support the development of a micro-finance hub in Kent, managed by Fredericks Foundation. Fredericks Foundation is a registered charity with the core purpose of assisting individuals who are unable to access finance through traditional routes to start or expand their business. In effect, they provide practical support to entrepreneurs who are furthest from entry to the traditional labour market. This group would include, but not be limited to, individual social entrepreneurs.

- 1.4 A donation of £130,000 towards the micro-finance hub together with £90,000 already raised by KCF by donation would secure additional investment of a further £120,000 from the Regional Growth Fund into Kent. This would be used to offer small loans (micro-finance) to individuals; up to £10,000 for start-up ventures and up to £20,000 to grow an existing trading business. Experience elsewhere in the country suggests that typically loans would be between £2,500 and £7,500.
- 1.5 The micro-finance hub would be managed by Fredericks Foundation, using local business and finance expertise to ensure that advice and support offered to applicants is sensitive to local conditions and that there can be an on-going mentoring relationship. Decisions to loan are made by an expert panel.

2 Analysis of the proposal

- 2.1 Currently, applications to the Kent Big Society Fund can only be accepted from formally incorporated Social Enterprises and there is a minimum loan threshold of £10,000. As anticipated, activity was slow in the early months as the Fund established its position in the market. However, now that loans have been made and the applicant pipe-line is growing significantly, KCF are able to offer some local market analysis. It is clear that the main demand for loan funding from the Kent Big Society Fund comes from individual entrepreneurs and small enterprises needing access to bespoke finance and business support products. It is also evident that an integrated range of social finance offers can work together to ensure that the right package is available to meet the needs of emerging, new and growing enterprises. It would be expected that some enterprises assisted by the Kent Big Society Fund will go on to access finance from banks and other lenders once their business credentials and loan repayment record are established. Equally, there is a need for significant investment in first-stage support products aimed at developing investment-readiness and testing business ideas. Typically the requirement is for small loans and in some cases for loans below the minimum threshold for the Kent Big Society Fund.
- 2.2 While the remit of the Fredericks Foundation micro-finance hub would not be limited to social enterprises, it would have potential benefits in building the pipe-line for the Kent Big Society Fund, by supporting entrepreneurial activity at its earliest stages.
- 2.3 It is also clear that, in targeting support for those individuals most disadvantaged within the employment market, the micro-finance hub would have clear social aims and economic benefit within Kent as part of an integrated social finance market.

3 Relevant priority outcomes

- 3.1 Bold Steps for Kent, the Medium Term Plan until 2014-15, committed KCC to establishing the Kent Big Society Fund to support growth and employment opportunities in the social enterprise sector. Longevity of the Fund is secured principally by loan repayment but the intention is that the

Fund could attract additional donations through philanthropic donation or by leverage of external funding.

4 Consultation and Communication

- 4.1 The proposal will be considered by Customer and Communities Cabinet Committee on 14 March 2013.

5. Financial Implications

- 5.1 This proposal does not have any financial implications for KCC beyond the commitment made in key decision 11/01755. The proposed amount would be paid by Kent Community Foundation from funds already donated by KCC.

6. Legal Implications

- 6.1 The governance arrangements, as described in the Key decision report 11/01755 allow for KCF to suggest altering the parameters of the Fund in response to market conditions or to support leveraging additional monies into the Fund (section 9.4) and for KCC to consider and agree those changes.

7. Equality Impact Assessments

- 7.1 This proposal would not alter the equality impact assessment made to support the Key decision.

8 Risk and Business Continuity Management

- 8.1 This would be a relatively low risk option for KCC. In return for a one-off investment, Fredericks Foundation would carry the loan risk associated with individual applicants at an early stage in establishing new businesses or growing existing businesses which are unable to access more traditional finance. In addition, the investment would attract additional funding.

9 Conclusion

- 9.1 This proposal would require a decision to extend the existing parameters of the Kent Big Society fund to enable a one-off donation from the Fund to the Fredericks Foundation. This would enable the development of a micro-finance hub in Kent. Analysis of the current market in social finance, based on the experience of the Kent Big Society Fund suggests that this could have benefits for the operation of the Fund itself and impact on its target constituency. In addition, it would deliver overall social and economic benefit to Kent.

10. Recommendations

- 10.1 Members of the Cabinet Committee are asked to consider and either endorse or make recommendations on the Cabinet Member decision to allow investment of a one-off donation of £130,000 from the Kent Big

Society Fund to support the development of a micros-finance hub in Kent managed by the Fredericks Foundation.

Background Documents

- Key Decision report 11/01755

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