

Guidance for applicants:

Home Based Businesses

Whether you're just striking out on your own as an entrepreneur, or you're a long-established business owner operating out of your home, you are probably dealing with the same issue: getting enough funding to get and keep the business up and running. Almost all businesses, at one point or another, need funding. Their reasons for needing it may differ vastly. And their ability to secure that funding may differ, as well.



Cronfa Gymunedol Fferm Wynt
PEN Y CYMOEDD
Wind Farm Community Fund CIC

Pen y Cymoedd recognises that Home-based businesses (HBBs) are the most dominant form of enterprise and the fastest growing business sector in UK and have the potential to deliver economic development and growth for the communities that they operate in. Overall, home businesses have seen strong growth in recent years, and now account for a substantial proportion of the UK economy. We also recognise that when it comes to funding via business financing—such as term loans, or lines of credit—home businesses may be hamstrung by the same thing that made them so easy to start in the first place: the fact that you're operating out of your home. Many small businesses start in someone's kitchen or converted bedroom office. But at that stage, they don't have a ton of business assets—real estate, heavy machinery, office equipment, etc.—which means they also may not have collateral to put up for a loan.

There are a few other reasons why a home-based business may have trouble securing business financing via a bank or credit union, which will have the best repayment terms and interest rates:

- **The business isn't established:** If the business is less than two years old, it's unlikely that a traditional lender will be willing to take a chance on funding business.
- **The business credit score is lacking:** Once they apply for an employer identification number, they will start building a business credit score that they can improve by paying their bills, establishing trade credit accounts, and staying in business.

When your home is your office, you may not have the same overhead costs as traditional brick-and-mortars, but you'll still need money on hand to deal with all the expenses that running a business throws at you. When first starting a home business, it's surprising how the costs add up.

How we assess home based business applications

1. Have all start-up costs been calculated carefully (this would include all permissions, insurance, equipment, marketing etc)
2. Have you committed any of their own funds so far?
3. Do you have a business plan? Your business plan should cover, among other things, your funding needs and how you expect to meet them. We would need to see at which stage the business will start generating an income for you.
4. Have you sought support from business support agency to test and develop the business model (our staff team can refer you to people who can support)
5. Have you
 - Checked business rate exempt
 - Updated your home insurance
 - Informed your mortgage provider or landlord
 - Taken out business or PLI
 - Checked with your local authority if there are any planning restrictions on operating a business from home address

Please note: Depending on what type of business you operate we may ask additional questions (such as whether you have food hygiene score if making produce or what GDPR you have in place if you hold customer's personal data).

What can we fund?

We can consider start-up or development costs ranging from equipment to marketing, insurance to attending events and markets. What we are unlikely to consider is improvements to the actual property itself. The reason is that this is a community fund and were the business to close we have added value to your personal property. We are also unlikely to fund new standalone sheds / outbuildings unless there is clear evidence this is only way business can succeed and you have invested/will be investing in that improvement as well and are approaching the fund for some match funding.