
Report To:	Environment & Regeneration Committee	Date:	8 March 2018
Report By:	Corporate Director – Environment, Regeneration & Resources	Report No:	E+R/18/03/07/SJ/
Contact Officer:	Stuart Jamieson	Contact No:	01475 712401
Subject:	West of Scotland Loan Fund		

1.0 PURPOSE

- 1.1 The purpose of this report is to update Members on the current status of the West of Scotland Loan Fund Limited and to seek approval to amend the Articles of Association.

2.0 SUMMARY

- 2.1 The West of Scotland Loan Fund Ltd (WSLF) is a consortium of the 12 West of Scotland local authorities and was incorporated as a company limited by guarantee in June 1996, following local government reorganisation.
- 2.2 The Fund has provided loan finance in individual amounts of up to £100k and has successfully operated across the West of Scotland as a fund for more than 20 years filling the funding gap to new and growing, small and medium sized enterprises.
- 2.3 In 2014, the Scottish Government indicated its desire to see a move away from regional loan funds to a pan Scotland Local Authority led Loan Fund and advised that such a mechanism would be required to access any further EU resources. Business Loans Scotland was formed with access for all 32 members authorities, Inverclyde Council is a Member.
- 2.4 BLS successfully tendered to operate a finance programme on behalf of the Scottish Government which offers gap funding up to a maximum of £100k to small and medium sized enterprises and ring fenced funds from the West of Scotland Loan Fund have been transferred to meet the Councils match funding for the target number of loans.
- 2.5 Now that the national fund is operational the member authorities within WSLF aim to look at the financial requirement for loan funding from 2019 onwards and how to best utilise any remaining balance of WSLF finances not required for loan purposes.
- 2.6 The existing WSLF Company constitution, which consists of a Members' Agreement and Articles of Association, prevents members from withdrawing funds which they do not want to be used for lending via WSLF.

- 2.7 In order to move forward and enable member authorities to consider using funds for additional business development activities, two key actions are required:
- The current Articles of Association requires to be amended by unanimous approval of all 12 member authorities; and
 - Confirmation is required from the Scottish Government over the treatment and value of ERDF funding that was received through the 2007-2013 ERDF programme.
- 2.8 The current Objects of the company which in legal terms lay out the overall objectives of WSLF are relatively broad and wide ranging, and in particular state that the Fund must be used: “to promote commerce by giving financial assistance by way of loans, donations or subscriptions or otherwise to any firm, company, individual, association or other body (whether incorporated or unincorporated) carrying on a commercial enterprise whose business is or is to be carried on in whole or in part” within the WSLF (Section 4.1 of Articles of Association). It is proposed that any future use of the funds would still require being in line with the original Objects of the Company.
- 2.9 However, Section 4.2 of the Articles of Association, states that “the income and property of the Company, howsoever derived, shall be applied solely towards the promotion of the objects of the company as set forth in Article 4.1 and no portion thereof shall be paid or transferred directly or indirectly, by way of dividend, bonus to otherwise howsoever by way of income or profit, to the Members...”
- 2.10 It is therefore being proposed by the WSLF 12 member authorities that Article 4.2 be deleted by Special Resolution to enable the Funds to be accessed and applied solely towards the promotion of the objects of the company as set forth in Article 4.1. This allows the member authorities to consider a broader use of the funds either collectively or in individual member authorities.

3.0 RECOMMENDATIONS

- 3.1 Members are asked to:
- (i) Note the content of the report and the current status of the West of Scotland Loan Fund Ltd (WSLF);
 - (ii) Approve the proposal to amend the WSLF Articles of Association to enable individual member authorities to make decisions on the remaining funding within the WSLF.

4.0 BACKGROUND

- 4.1 The West of Scotland Loan Fund Ltd (WSLF) is a consortium of the 12 West of Scotland local authorities and was incorporated as a company limited by guarantee in June 1996, following local government reorganisation. The Fund has provided loan finance in individual amounts up to £100k and has successfully operated across the West of Scotland as a fund for more than 20 years filling the funding gap to new and growing, small and medium sized enterprises.
- 4.2 To support this activity, each participating local authority has had an allocation of ring fenced loan funding based on its individual budget commitment matched by European Regional Development Fund (ERDF) monies. Inverclyde Council has not contributed any finance to the loan fund.
- 4.3 In 2014, the Scottish Government indicated its desire to see a move away from regional loan funds to a pan Scotland Local Authority led Loan Fund and advised that such a mechanism would be required to access any further EU resources. Business Loans Scotland Ltd was created as the vehicle to take this forward.
- 4.4 Inverclyde Council became a member of Business Loans Scotland Ltd and transferred its match contribution from ring fenced funds from the WSLF. This along with additional European Regional Development Fund (ERDF) created a lending pot to provide loans with values up to £100K to local eligible businesses from February 2017 to 31 December 2018.
- 4.5 The transfers made from the WSLF to the new Business Loans Scotland fund was the estimate of what would be required for business loans until the end of 2018. No loans have yet been approved for Inverclyde but a £50k loan application is currently being developed.
- 4.6 Now that the national fund is operational the member authorities within WSLF aim to look at the financial requirement for loan funding from 2019 onwards and how to best utilise any remaining balance of WSLF finances not required for loan purposes.
- 4.7 The existing WSLF Company constitution, which consists of a Members' Agreement and Articles of Association, prevents members from withdrawing funds which they do not want to be used for lending via WSLF.
- 4.8 In addition to the constitutional restrictions, WSLF received ERDF funding through the 2007-2013 European funding programme. The rules attached to this require the funds received to be reinvested in SMEs and not reutilised for purposes other than loans.
- 4.9 In order to move forward and enable member authorities to consider using funds for additional business development activities, two key actions are required:
 - The current Articles of Association requires to be amended by unanimous approval of all 12 member authorities; and
 - Confirmation is required from the Scottish Government over the treatment and value of ERDF funding that was received through the 2007-2013 ERDF programme.

- 4.10 The current Objects of the company which in legal terms lay out the overall objectives of WSLF are relatively broad and wide ranging, and in particular state that the Fund must be used: “to promote commerce by giving financial assistance by way of loans, donations or subscriptions or otherwise to any firm, company, individual, association or other body (whether incorporated or unincorporated) carrying on a commercial enterprise whose business is or is to be carried on in whole or in part” within the WSLF (Section 4.1 of Articles of Association). It is proposed that any future use of the funds would still require being in line with the original Objects of the Company.
- 4.11 However, Section 4.2 of the Articles of Association, states that “the income and property of the Company, howsoever derived, shall be applied solely towards the promotion of the objects of the company as set forth in Article 4.1 and no portion thereof shall be paid or transferred directly or indirectly, by way of dividend, bonus to otherwise howsoever by way of income or profit, to the Members...”
- 4.12 It is therefore being proposed by the WSLF 12 member authorities that Article 4.2 be deleted by Special Resolution to enable the Funds to be accessed and applied solely towards the promotion of the objects of the company as set forth in Article 4.1. This allows the member authorities to consider a broader use of the funds either collectively or in individual member authorities.
- 4.13 In relation to the treatment of previous ERDF funding received, written confirmation is being sought from the Scottish Government to ensure there are no future audit implications over the treatment of the funding. The value of available funds will be dependent on the Scottish Government’s interpretation and confirmation.
- 4.14 If all local authorities agree to the amendment then a future Committee report will be prepared on the options for use of the remaining WSLF finance.
- 4.15 As of 1 February 2018, five Councils have received Board approval to change the Articles and six (including Inverclyde) are going to Board very soon. One Council has yet to set a Committee date for the paper.

5.0 FINANCE

5.1 Financial Implications – One off Costs

Cost Centre	Budget Heading	Budget Year	Proposed Spend this Report	Virement From	Other Comments

Financial Implications – Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (If Applicable)	Other Comments
N/A	N/A	N/A	N/A	N/A	N/A

6.0 CONSULTATIONS

- 6.1 The Chief Financial Officer has been consulted in the preparation of this report
- 6.2 Head of Legal & Property Services has been consulted in the preparation of this report

7.0 REPOPULATION

- 7.1 Access to business loan finance support the repopulation agenda within Inverclyde.