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**REPORT TO: POLICY AND RESOURCES COMMITTEE ON 29 OCTOBER 2019**

**SUBJECT: BUSINESS LOAN SCOTLAND**

**BY: DEPUTE CHIEF EXECUTIVE (ECONOMY, ENVIRONMENT AND FINANCE)**

**1. REASON FOR REPORT**

- 1.1 To inform the Committee of proposed changes to the Business Loan Scotland of which Moray Council is a Full Member and to seek approval for the recommendations.
- 1.2 This report is submitted to Committee in terms of Section III (B) (16) of the Council's Scheme of Administration relating to deal with the management and investment of funds.

**2. RECOMMENDATION**

**2.1 It is recommended that the Committee :-**

- (i) approve the amendments to the Articles of Association and if approved agree to grant delegated authority to the Chief Financial Officer and Head of Economic Growth and Development to sign the Special Resolution;**
- (ii) approve a request that the Council's investment allocation to be returned;**
- (iii) agree to withdraw representation on the Business Loan Scotland board; and**
- (iv) note that members will be advised, should repayment not proceed as anticipated**

**3. BACKGROUND**

- 3.1 Business Loan Scotland (BLS) was formed in March 2017, with 27 Scottish Local Authorities becoming Full Members of the Company and 5 Local Authorities becoming Associate Members. Each Full Member made a match funding contribution to the initial finances of the Company that was then expected to be matched with a corresponding amount of European Regional Development Fund (ERDF) grant. As reported to Council on 28 June 2018

(paragraph 15 of the minute refers), unlike Moray Council few other member authorities made sufficient loans and so BSL did not meet its target and any ERDF received during the period, herein referred to as phase I, was repaid to the Scottish Government.

- 3.2 BLS was awarded the contract to deliver a new Debt Fund, herein referred to as phase II from January 2019. A significant difference between the two phases, is that phase II is fully funded by the Scottish Growth Scheme and ERDF, therefore does not require any match funding from Local Authorities.
- 3.3 Several Member Authorities have requested the return of their allocated funds from phase I as it is no longer required for phase II, however the present BLS Articles of Association have to be changed to accommodate these requests. The BLS Board of Directors have agreed in discussion with the fund's solicitors, Wright, Johnston and Mackenzie LLP (WJM) to issue a Special Resolution to the Members which would amend Articles 4.2 and 20 as follows;

Article 4.2 of the existing Articles of Association of the Company be deleted and the following be substituted therefor:

- 4.2 - The income and property on the Company, howsoever derived, shall be applied solely towards the promotion of the objects of the Company as set forth in Article 4.1, save that the Company may distribute funds it holds to the Members in the proportions agreed among them” and

Article 20 of the existing Articles of Association of the Company be deleted and the following be substituted therefor:

- 20 - If, upon a winding up or dissolution of the Company, there remains, after the satisfaction of all its debts and liabilities, any property whatsoever, the same may be paid to or distributed among the Members in the proportions agreed among them.

- 3.4 For the Special Resolution to be passed, it requires the approval of 75% of the Full Members of the Company. So far 20 of 27 Member Authorities have agreed. Once agreed, the Special Resolution has to be signed by 2 senior officers of each Member Authority and returned within 28 days.
- 3.5 When this process has been completed, it allows each Member Authority to request the return of their investment, which for Moray Council totals £202,718 subject to all 4 current loans being fully repaid. Once the process to return of the funds has started, councillors will be advised. It is proposed that any sums received will be treated as one off receipts and applied to reduce savings required to 19/20/21 and later years.
- 3.6 BLS is planning to re-organise their operations, which includes a proposal to reduce the number of Directors from 11 to approx. 6, to achieve a higher level of attendance in person at meetings. In light of the BLS restructuring and as phase II does not involve any funding from the Council, in consultation with Councillor Coull, who represents Moray Council on the Board of Directors, it is proposed to withdraw representation for Moray from the BLS Board of

Directors. However, on an officer level there will be still ongoing support through Business Gateway.

#### **4. SUMMARY OF IMPLICATIONS**

**(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))**

The proposal will contribute to achieve the Corporate Plan priority to promote economic development and growth, also the LOIP priority of a growing and sustainable economy

**(b) Policy and Legal**

The Council considers support for economic development issues on their merits, against the objective to facilitate sustainable economic growth and the desired outcomes of the Ten Year Plan and Corporate Plan

**(c) Financial implications**

During phase 1 the Council has loaned a total of £185,000. The standard term of each loan is repayment in 5 years. The last loan was issued in November 2017. Assuming no payment holidays are agreed and no loans are defaulted on, all loans will be repaid by December 2022. In total, the Council's funding investment of £202,718, which consisted of match funding and interest, is to be returned over 4 financial years, subject to all four present loans being fully repaid. The table below details the amount available at 31 March of each financial year.

2019/20	2020/21	2021/22	2022/23
£92,424	£42,919	£42,919	£24,456

**(d) Risk Implications**

So far any loans provided through Moray's allocation have been fully repaid. Although this presents an excellent track record, there is a risk if any of the present loans default.

**(e) Staffing Implications**

None arising from this report

**(f) Property**

None arising from this report

**(g) Equalities/Socio Economic Impact**

There are no equalities/social economic impacts arising from this report

**(h) Consultations**

The Depute Chief Executive (Economy, Environment and Finance), the Head of Economic Growth and Development, Paul Connor (Principal Accountant), the Legal Services Manager, the Equal Opportunities Officer, the Head of Housing and Property and Tracey Sutherland, Committee Services Officer have been consulted and comments received have been incorporated into the report

**5. CONCLUSION**

**5.1 Amendments to the Articles of Association of BLS will allow the return of funding allocation held for phase I.**

**5.2 For phase II of BLS, Small and Medium Sized Enterprise will continue to have access to a Loan Fund without requiring any match funding from the Council and accordingly there is an opportunity to withdraw representation at board level.**

Author of Report: Reni Milburn, Economic Growth & Regeneration Manager  
Background Papers: Proposals, correspondence and documents on file in  
Environmental Services, Economic Growth &  
Regeneration Section

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