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## NORTH AYRSHIRE COUNCIL

11 June 2019

### Cabinet

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**Title:** West of Scotland Loan Fund (WSLF)

**Purpose:** To seek approval to the proposals to wind up West of Scotland Loan Fund (WSLF) Ltd, transferring assets and activity to Business Loans Scotland (BLS) and to amend the Articles of Association of Business Loans Scotland Ltd

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**Recommendation:** That Cabinet approves:-

- i. as a member authority to the winding-up the West of Scotland Loan Fund Ltd (WSLF);
- ii. the transfer of North Ayrshire Council's West of Scotland Loan Fund assets to Business Loans Scotland (BLS);
- iii. an amendment to the BLS Articles of Association, to allow BLS to pay surplus funds back to member local authorities that authority be delegated to the Head of Economic Growth to agree the draft resolution and signed in accordance with requirements of BLS.

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### 1. Executive Summary

- 1.1 The formation of Business Loans Scotland Ltd to facilitate local authority lending to small businesses across Scotland in 2017 has rendered the West of Scotland Loan Fund (WSLF) Ltd obsolete. Both boards of BLS and WSLF have agreed to transfer the assets of WSLF to BLS in order to reduce costs and deliver loans more efficiently.
- 1.2 This report sets out the process required for North Ayrshire Council to give consent for the closure of WSLF and transfer to BLS. The report also sets out proposals for changes to the Articles of Association for BLS which will allow BLS to pay to member authorities surplus funds originating from these authorities and held at BLS. These are made up of cash at bank and loan repayments as received. This is consistent with a previous amendment that was agreed by Cabinet in 20 February 2018 for WSLF Ltd Articles of Association.

## **2. Background**

- 2.1 The WSLF has been in existence since 1996 with North Ayrshire Council being a member authority. During this time the fund has provided significant lending to local SMEs matching Council funds with European Regional Development Fund (ERDF) monies. Following advice from Scottish Government, a new pan-Scotland loan fund vehicle, BLS Ltd, was launched in 2017. Scottish Government is working with a range of partners to deliver new national loan funds of between £5,000 and £2m. BLS has been contracted by government to deliver loans from £25,000 to £100,000.
- 2.2 Given these changes, in February 2018, Cabinet approved a change to the WSLF Articles of Association to allow WSLF to pay to member local authorities surplus funds held within WSLF that were not required for lending. This was achieved by each member signing a Special Resolution that amended the company's Articles of Association. WSLF refunded £720k in 2018/19 to the Council.
- 2.3 As a BLS member, North Ayrshire Council transferred an agreed award of funds that it held at WSLF to the new company BLS. The funds covered the required match funding to draw European Regional Development Fund (ERDF) support and cover the costs associated with the set up and running of the company. All new loans thereafter were approved and processed through BLS. North Ayrshire Council now has assets held within BLS in the form of an existing loan portfolio and ring-fenced cash at bank, circa £400,000 and £30,000 respectively.
- 2.4 Furthermore, with BLS as the primary vehicle through which debt finance is provided to SMEs across Scotland, the WSLF Board has now agreed to the winding-up of the company and the transfer of each member authorities remaining assets into BLS, to consolidate and simplify the management of the assets. North Ayrshire Council's residual assets held within WSLF consist primarily of the existing loan portfolio and ring-fenced cash at bank, circa £270,000 and £440,000 respectively (Mar 2019). Approval is sought to agree to the wind up of WSLF and transfer these assets to BSL.
- 2.5 The BLS Articles of Association, however, do not currently allow BLS to pay funds to member local authorities. Given the intention of WSLF to transfer its assets to BLS, and the desire of local authorities to be able to withdraw surplus funds in future if required, the BLS Board agreed at their March 2019 meeting to change their Articles of Association subject to the approval of member authorities. There are no new proposals at present for North Ayrshire Council to withdraw funds from BLS.
- 2.6 It has been proposed by the BLS Board, in discussion with the Fund's solicitors, Wright, Johnston and Mackenzie LLP (WJM) to issue a Special Resolution to members. This Special Resolution will therefore allow for amendment to Articles of Association to power to BLS to pay funds back to member local authorities. This amendment is virtually identical to that granted by WSLF in 2018. Wright Johnstone Mackenzie will issue equivalent for BLS once all Councils have secured agreement.

### 3. Proposals

3.1 It is recommended that Cabinet approves:-

- iv. as a member authority to the winding-up the West of Scotland Loan Fund Ltd (WSLF);
- v. the transfer of North Ayrshire Council's West of Scotland Loan Fund assets to Business Loans Scotland (BLS);
- vi. an amendment to the BLS Articles of Association, to allow BLS to pay surplus funds back to member local authorities
- vii. that authority be delegated to the Head of Economic Growth to agree the draft resolution and signed in accordance with requirements of BLS.

### 4. Implications/Socio-economic Duty

<b>Financial:</b>	There is no cost associated with this report. It represents the opportunity to minimise overhead costs by consolidating loan fund management activity. It also enables a future opportunity to access funds that can be utilised for additional economic development activity.
<b>Human Resources:</b>	There are no human resources impacts.
<b>Legal:</b>	The proposed changes have been subject to scrutiny and review by legal advisors to both the WSLF and BLS, as well as North Ayrshire Council's legal team and there are no additional legal implications.
<b>Equality/Socio-economic Duty:</b>	There is no direct impact resulting from this report however once BLS Articles have been amended and residual funds are agreed, proposals will be identified for the use of funds which link to Inclusive Growth.
<b>Children and Young People:</b>	No direct impact resulting from this report
<b>Environmental &amp; Sustainability:</b>	There is no immediate impact resulting from this report
<b>Key Priorities:</b>	This proposal supports the Council Plan priority outcome of having an inclusive, growing and enterprising economy.
<b>Community Benefits:</b>	There are no Community Benefit implications arising from the report.

### 5. Consultation

5.1 All Local Authorities in Scotland have been consulted in this process as have the Boards of WSLF and BLS.

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For further information please contact **Matt Strachan, Senior Manager Business Development**, on **01294 310658**.

## **Background Papers**

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