

REPORT TO INFRASTRUCTURE SERVICES – 20 JUNE 2019

BUSINESS LOANS SCOTLAND UPDATE AND CHANGE TO ARTICLES OF ASSOCIATION

1 Recommendations

The Committee is recommended to:

- 1.1 Consider the progress of the Business Loans Scotland Scheme.**
- 1.2 Approve the proposal to amend the Articles of Association to enable the Council to access surplus funds from Business Loans Scotland.**
- 1.3 Approve the proposal for Aberdeenshire Council funds to remain with Business Loans Scotland.**

2 Background / Discussion

- 2.1** Business Loans Scotland (BLS), established in March 2015, is a company limited by guarantee. BLS was formed 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 and bank loan funding. Unfortunately, BLS did not meet its target to retain any of the ERDF grant and the ERDF amount received during the period, herein referred to as Phase 1, was repaid to the Scottish Government in December 2018.
- 2.2** At the Policy and Resources Committee on 17 September 2015, Item 17, Members approved funding for membership of the Scottish Local Authority Business Loan Fund, BLS, for years 2015-2018 of £50,000, which would provide a loan fund of £150,000 for Aberdeenshire businesses.
- 2.3** Business Loans Scotland was created to provide loans of up to £100,000 to small and medium sized enterprises (SME's) in Scotland that had a good viable business proposal but could not raise the full funding for their proposal from commercial sources. Loans were repayable over a period of up to 5 years, at a rate of 6%, with no fees.
- 2.4** In December 2018 Business Loans Scotland was awarded the contract to deliver a new Debt Fund, herein referred to as Phase 2, from January 2019. A significant difference between the two phases, is that Phase 2 is fully funded by the Scottish Growth Scheme and the European Regional Development Fund and therefore does not require any match funding contribution from the Member Authorities.

- 2.5 As the match funding, contributed by the Member Authorities under Phase 1 is not required to be used for Phase 2, there are a number of Member Authorities seeking to withdraw their Phase 1 match funding from BLS.
- 2.6 The Articles of Association for BLS does, as they are currently written, prevent the Company returning funds to a Member Local Authority due to the 'asset lock' provisions written into the Articles.
- 2.7 In order to change the Articles of Association to allow a Member Local Authority to withdraw funds from BLS and return those funds to its Local Authority, it is proposed by the Board of Directors, in discussion with the Fund's solicitors, Wright, Johnston and Mackenzie LLP (WJM), to issue a Special Resolution to the Members.

The proposed Special Resolution, prepared by WJM 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."

- 2.8 For the Special Resolution to be passed by the Company, it requires the approval of 75% of the Full Members of the Company.

Therefore, for the Resolution to pass, 21 Full Members are required to agree to amend the Articles of Association as prescribed in the Special Resolution.

- 2.9 The Special Resolution will only be issued by WJM once it is confirmed that the minimum number of Member Local Authorities required to pass such a Resolution have the authority to do so.
- 2.10 Aberdeenshire Council has funds of £43,835 in the BLS account and it is proposed that these funds remain with BLS.
- 2.11 This would enable BLS to support Aberdeenshire business, who do not meet the standard criteria, by having access to funding that they would not otherwise have. This will in turn assist in funding their sustainability and future growth.
- 2.12 One Aberdeenshire business, a start-up company, has been supported through BLS, with funding of £25,700 drawn down. A further 2 businesses are currently progressing with applications.

- 2.13 The Head of Finance and Monitoring Officer within Business Services have been consulted in the preparation of this report and are satisfied that the report complies with the Scheme of Governance and relevant legislation.

3 Scheme of Governance

- 3.1 The Committee is able to consider this item in terms of Section F1.1b of the List of Committee Powers in Part 2A of the Scheme of Governance as it relates to the approval of resources to support Economic Development.

4 Implications and Risk

- 4.1 An equality impact assessment has been carried out as part of the development of the proposals set out above. It is included as Appendix 1 and
- no impacts have been identified.
- 4.2 There are no staffing implications arising from this report.
- 4.3 There are no financial implications arising from this report.
- 4.3 The following risks have been identified as relevant to this matter on a Corporate Level: Budget Pressures; Changes in government policy, legislation and regulation; Working with other organisations; Reputational Management. The following risks have been identified as relevant to this matter on a Strategic Level: Community Empowerment, City Region Deal, Regeneration and Economic Development.

Stephen Archer
Director of Infrastructure Services

Report prepared by June Burnett, Business Development Executive
Date 17 May 2019

EQUALITY IMPACT ASSESSMENT

Stage 1: Title and aims of the activity (“activity” is an umbrella term covering policies, procedures, guidance and decisions).	
Service	Infrastructure Services
Section	Economic Development
Title of the activity etc.	Business Loan Scotland Update and Change to Articles of Association
Aims and desired outcomes of the activity	Changes to Articles of Association to enable the Council to access surplus funds from Business Loans Scotland
Author(s) & Title(s)	June Burnett, Business Development Executive

Stage 2: List the evidence that has been used in this assessment.	
Internal data (customer satisfaction surveys; equality monitoring data; customer complaints).	Not Applicable
Internal consultation with staff and other services affected.	Support for Aberdeenshire Business (SAB) panel. No other services affected.
External consultation (partner organisations, community groups, and councils).	Not Applicable
External data (census, available statistics).	Not Applicable
Other (general information as appropriate).	None

Stage 3: Evidence Gaps.	
Are there any gaps in the information you currently hold?	No

Stage 4: Measures to fill the evidence gaps.		
What measures will be taken to fill the information gaps before the activity is implemented? These should be included in the action plan at the back of this form.	Measures:	Timescale:
	N/A	N/A

Stage 5: Are there potential impacts on protected groups? The protected groups covered by the equality duty are: age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation. The duty also covers marriage and civil partnerships, but only in respect of eliminating unlawful discrimination. Who is affected by the activity or who is intended to benefit from the proposed policy and how? Please complete for each protected group by inserting "yes" in the applicable box/boxes below.				
	Positive	Negative	Neutral	Unknown
Age – Younger Eliminating unlawful discrimination, harassment and victimisation Advancing equality of opportunity Promoting good relations among and between different age groups			Yes	

Age – Older			Yes	
Disability			Yes	
Race – (includes Gypsy Travellers)			Yes	
Religion or Belief			Yes	
Sex (Gender)			Yes	
Pregnancy and maternity			Yes	
Sexual orientation – (includes Lesbian/ Gay/Bisexual)			Yes	
Gender reassignment – (includes Transgender)			Yes	
Marriage and Civil Partnership eliminating unlawful discrimination			Yes	

Stage 6: What are the positive and negative impacts?		
Impacts.	Positive (describe the impact for each of the protected characteristics affected)	Negative (describe the impact for each of the protected characteristics affected)
Please detail the potential positive and/or negative impacts on those with protected characteristics you have highlighted above. Detail the impacts and describe those affected.	N/A	N/A

Stage 7: Have any of the affected groups been consulted?	
If yes, please give details of how this was done and what the results were. If no, how have you ensured that you can make an informed decision about mitigating steps?	N/A

Stage 8: What mitigating steps will be taken to remove or reduce negative impacts?		
These should be included in any action plan at the back of this form.	Mitigating Steps	Timescale
	N/A	N/A

Stage 9: What steps can be taken to promote good relations between various groups?	
These should be included in the action plan.	n/a

Stage 10: How does the policy/activity create opportunities for advancing equality of opportunity?
n/a

Stage 11: What equality monitoring arrangements will be put in place? How the EIA will be used to monitor the proposal

These should be included in any action plan (for example customer satisfaction questionnaires).	n/a
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Stage 12: What is the outcome of the Assessment?		
Please complete the appropriate box/boxes	1	No negative impacts have been identified –please explain.
	2	Negative Impacts have been identified, these can be mitigated - please explain. * Please fill in Stage 13 if this option is chosen.
	3	The activity will have negative impacts which cannot be mitigated fully – please explain. * Please fill in Stage 13 if this option is chosen

* Stage 13: Set out the justification that the activity can and should go ahead despite the negative impact.
n/a

Stage 14: Sign off and authorisation.

Sign off and authorisation.	1) Service and Team	Infrastructure Services, Economic Development		
	2) Title of Policy/Activity	Approve proposal to amend the Articles of Association to enable Member Authorities to access surplus funds from Business Loan Scotland (if appropriate)		
	3) Authors: I/We have completed the equality impact assessment for this policy/activity.	Name: June Burnett Position: Business Development Executive Date: 17/05/2019 Signature:	Name: Position: Date: Signature:	
		Name: Position: Date: Signature:	Name: Position: Date: Signature:	
	4) Consultation with Service Manager	Name: Morna Harper Date: 17/05/2019		
	5) Authorisation by Director or Head of Service	Name: Belinda Miller Position: Head of Economic Development and Protective Services Date: 14/05/2019	Name: Position: Date:	
	6) If the EIA relates to a matter that has to go before a Committee, Committee report author sends the Committee Report and this form, and any supporting assessment documents, to the Officers responsible for monitoring and the Committee Officer of the relevant Committee. e.g. Social Work and Housing Committee.			Date:
	7) EIA author sends a copy of the finalised form to: equalities@aberdeenshire.gov.uk			Date:
(Equalities team to complete) Has the completed form been published on the website? YES/NO			Date:	

