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**West of Scotland Loan Fund – Opportunity to widen availability across Argyll and Bute**

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**1.0 EXECUTIVE SUMMARY**

- 1.1 The main purpose of this paper is to seek approval for the West of Scotland Loan Fund (WSLF) delivery area to be extended to include all of Argyll and Bute, rather than remaining restricted to Helensburgh and Lomond based businesses.
- 1.2 West of Scotland Loan Fund (WSLF) is a consortium of twelve west of Scotland Local Authorities, including Argyll and Bute, working together to provide loan finance to new and existing small to medium sized enterprises within the west of Scotland.
- 1.3 Due to the boundaries applied to European funding (the Lowland ERDF area), WSLF has to date only been available to businesses based in Helensburgh and Lomond. Businesses based in the rest of Argyll and Bute have been deemed ineligible, and do not have access to any similar alternative fund.
- 1.4 Currently £235,822 of WSLF money is allocated to Argyll and Bute – Helensburgh and Lomond only. Given current uptake it is unlikely that this will be spent by the end of the current programme, 31<sup>st</sup> March 2015, within Helensburgh and Lomond. There have been no new applications from Helensburgh and Lomond since 2009.
- 1.5 If allocated funds are not spent, they may be reallocated by WSLF to other areas where demand exceeds supply.
- 1.6 WSLF has therefore proposed that the delivery area is widened to include all of Argyll and Bute, if uptake in Helensburgh and Lomond remains below target.
- 1.7 There is no requirement for the Council to provide match funding to support this widening of eligibility, up to £141,000 of the current funds can be utilised outwith Helensburgh and Lomond. The remaining £94,000 is European funding (ERDF) that can be spent within Helensburgh and Lomond only.
- 1.8 The existing resources of the Business Gateway team can provide the advisory, administrative and aftercare requirements to support this expansion and the current approval mechanism within the Economic Development Service remains appropriate.
- 1.9 WSLF is, in addition, actively working on developing a nationwide approach and has recently written to local authorities, via the Scottish Local Authorities Economic Development Group (SLAED), to seek support. The proposal has the support of the Scottish Government.

- 1.10 It is therefore recommended that the Committee endorses the widening of the delivery area; agrees that the proposal be included in the full Council meeting for September 2014; and confirms support in principle for the creation of a Scotland wide Local Authority Loan Fund.

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2.0 INTRODUCTION

- 2.1 West of Scotland Loan Fund (WSLF) is a consortium of twelve west of Scotland Local Authorities, including Argyll and Bute, working together to provide loan finance to new and existing small to medium sized enterprises within the west of Scotland.
- 2.2 WSLF aims to ensure that good, commercially viable proposals do not fail from a lack of access to finance. Additionally, it encourages and supports the creation, development and growth of businesses, which will in turn be able to contribute to, and strengthen, their local economy in terms of jobs, growth and wealth. Loans up to £100,000 are available to new and existing businesses.
- 2.3 Formed in June 1996, the West of Scotland Loan Fund Ltd is a public sector owned company, registered and based in Kilmarnock. The Fund operates on a decentralised basis where businesses are able to approach their own local authority's economic development unit.
- 2.4 In 2009 WSLF received £6 million of ERDF funding and £4.5 million match funding from Barclays, giving a total budget for the 2009 -2015 period of £15 million (which included £4.5 million from WSLF reserves).
- 2.5 Due to the boundaries applied to European funding (the Lowland ERDF area includes only Helensburgh and Lomond), WSLF has to date only been available to businesses based in Helensburgh and Lomond. Businesses based in the rest of Argyll and Bute have been deemed ineligible, and do not have access to any similar alternative fund.
- 2.6 Currently £235,822 of WSLF money is allocated to Argyll and Bute – Helensburgh and Lomond only. Given current uptake it is unlikely that this will be spent by 31 March 2015 within Helensburgh and Lomond. There have been no new applications from Helensburgh and Lomond since 2009.
- 2.7 If allocated funds are not spent, they may be reallocated by WSLF to other areas where demand exceeds supply.

- 2.8 WSLF has therefore proposed that the delivery area is widened to include all of Argyll and Bute, if uptake in Helensburgh and Lomond remains below target. Previously this was not an option as funds spent outside of Helensburgh and Lomond will not leverage the ERDF funding. However, given the WSLF allocation for Helensburgh and Lomond is significantly underspent as we approach the end of the 2009-15 programme period, WSLF have proposed opening up the scheme so as to spend the allocation within Argyll and Bute.
- 2.9 It is anticipated that widening out the scheme to include all of Argyll and Bute will increase uptake, due to enquiries already being received. The WSLF allocation of £235,822 has £94,000 of ERDF included so the net amount available to lend outside of Helensburgh and Lomond is therefore £141,000.
- 2.10 Post 2015 there is an opportunity to develop a pan-Scotland Local Authority Fund covering all 32 authorities. In practice this would be a successor to the WSLF and the East of Scotland Investment Funds, which are both operated by West of Scotland Loan Fund Management Services (WSLF MS).
- 2.11 WSLF MS is actively working on developing a nationwide approach and has recently written to local authorities, via the Scottish Local Authorities Economic Development Group (SLAED), to seek support. The proposal has the support of the Scottish Government.

### **3.0 RECOMMENDATIONS**

- 3.1 The Committee endorses the proposal to extend the WSLF delivery area to include all of Argyll and Bute, if uptake in Helensburgh and Lomond remains below target.
- 3.2 The Committee agrees that this proposal should be presented at the full Council meeting in September 2014, to endorse the view of the Committee in terms of the extension of the delivery of WSLF to the whole of Argyll and Bute.
- 3.3 The Committee confirms willingness to support the development of a new Scotland wide loan fund which could incorporate WSLF after April 2015.

### **4.0 DETAILS**

#### **Current delivery**

- 4.1 Strategic management of WSLF rests with the board of directors, made up of representatives for each local authority, usually an elected member or senior official. For Argyll and Bute this is currently Cllr Gary Mulvaney.
- 4.2 The everyday running of the fund is undertaken by four permanent members of staff who are responsible for delivery of the strategy, reporting to the board, maintaining the database, portfolio administration and day to day management of the fund.
- 4.3 Applications and decisions on loans are made by the relevant local authority's economic development team, with assistance from the loan fund officer if

necessary. The exception is loans exceeding £50,000 which are subject to board approval. For Argyll and Bute, Fergus Murray and Ishabel Bremner are the authorised approvers, with support to businesses in developing an application provided by the Council's Business Gateway team, who also provide the aftercare.

- 4.4 The current delivery area aligns to the Council boundaries of the consortium members – with the exception of Argyll and Bute.

Argyll and Bute – <b>Helensburgh and Lomond area only</b>	East Ayrshire
East Dunbartonshire	East Renfrewshire
Glasgow	Inverclyde
North Ayrshire	North Lanarkshire
Renfrewshire	South Ayrshire
South Lanarkshire	West Dunbartonshire

- 4.5 This means that currently, businesses based in the Helensburgh and Lomond administrative area can apply to WSLF for support, whilst businesses based in the other administrative areas of Mid Argyll, Kintyre and the Islands, Cowal and Bute, and Oban Lorn and the Isles cannot.
- 4.6 The restriction to Helensburgh and Lomond only for Argyll and Bute originated from the fact that the European funding supporting WSLF was provided by the Lowland ERDF scheme. The rest of Argyll and Bute falls within the Highlands and Islands ERDF area, where no comparable loan scheme exists.

#### Performance to date

- 4.7 For the period to April 2009, three WSLF loans were issued to businesses in Helensburgh and Lomond. These loans have now been repaid, making the money available again within the Argyll and Bute allocation.
- 4.8 For the 2009 – 2015 period, the budget and spend to date are outlined in **Table 1**.

**Table 1: West of Loan Fund spend and budget 2009 -15 (Source: WSLFM)**

Local Authority	To be invested by March 2015	Spend to Date June 2014
Argyll and Bute (Helensburgh and Lomond)	£235,822	£0
East Ayrshire	£1,734,871	£831,875
East Dunbartonshire	£185,384	£271,900
East Renfrewshire	£98,037	£111,000
Glasgow	£2,827,118	£3,102,700
Inverclyde	£281,383	£229,250
North Ayrshire	£2,330,148	£1,532,700
North Lanarkshire	£2,469,793	£1,377,500
Renfrewshire	£969,442	£758,000
South Ayrshire	£970,543	£514,500
South Lanarkshire	£2,478,129	£1,865,000
West Dunbartonshire	£419,330	£254,000
<b>TOTAL</b>	<b>£15,000,000</b>	<b>£10,848,425</b>

- 4.9 Despite the continued promotion of the WSLF availability to businesses engaging with Business Gateway and to the intermediary network of banks, accountants, solicitors and the Helensburgh Chamber of Commerce, take-up has been poor in recent years with no new applications received.
- 4.10 WSLF has generated several enquiries from other parts of Argyll and Bute, which have been deemed ineligible. The most recent (and current) enquiry relates to a potential new distillery on Islay which is seeking to close its finance gap for a million pound plus project.

#### **What is the current opportunity?**

- 4.11 In order to utilise the £235,822 WSLF money allocated to Argyll and Bute, WSLF are supportive of the fund being opened up to business across Argyll and Bute and no longer restricted to Helensburgh and Lomond based businesses only.
- 4.12 If the WSLF funds allocated to Argyll and Bute are not used within the area, there is a risk that they will be allocated to another area where demand exceeds supply, before the programme period closes in March 2015.
- 4.13 Given that there have been more enquiries from the rest of Argyll and Bute than there have been from Helensburgh and Lomond, it would seem prudent to meet this demand by extending the WSLF delivery area to include all of Argyll and Bute.

#### **Operational considerations in the local area**

- 4.14 Argyll and Bute Council's Business Gateway team is confident that the operational coverage they already provide to new and existing businesses across the area can accommodate supporting WSLF applicants from across the same area.
- 4.15 Currently Business Gateway Advisers are regularly scheduled to host advisory sessions in Oban (at least weekly), Dunoon (fortnightly), Campbeltown (fortnightly) as well as in the Lochgilphead and Helensburgh offices. This alignment with core Business Gateway activity means there is limited additional direct cost in delivering WSLF across the whole area via Business Gateway.

#### **The wider opportunity – participation in a single Scottish Local Authority Loan Fund**

- 4.16 Post March 2015 there is an opportunity to develop a pan-Scotland Local Authority Fund covering all 32 authorities. In practice this would be a successor to the WSLF and the East of Scotland Investment Funds, which are both operated by West of Scotland Loan Fund Management Services (WSLF MS).
- 4.17 Indications are that the next European Structural Funds programme is looking to provide support under the Financial Instruments strategic intervention only to schemes operating at a Scotland wide level.

4.18 WSLF MS is actively working on developing a nationwide approach and has recently written to local authorities, via SLEAD, to seek support. The proposal has the support of the Scottish Government.

4.19 If such a fund, managed by WSLF MS is established, it is expected that WSLF monies would transfer.

4.20 Additional match would be required if the Council wanted to increase the total funding available to Argyll and Bute based businesses, but this would leverage further ERDF funds.

## **5.0 CONCLUSION**

5.1 Extending the WSLF delivery area will provide more businesses across Argyll and Bute with access to finance, and remove the current inequality regarding access to a local authority loan scheme.

5.2 Widening the eligibility should help towards ensuring that the WSLF funds allocated to Argyll and Bute are spent within Argyll and Bute and not reallocated to other areas.

5.3 Provision of an Argyll and Bute wide loan fund will help establish demand in advance of a pan-Scotland loan fund, currently in development.

## **6.0 IMPLICATIONS**

### **6.1 Policy**

Making WSLF finance available to businesses across Argyll and Bute will support the Council's overarching Economic Development Action Plan 2013-2018 objective of assisting more businesses to start-up and grow. Furthermore this will align with the SOA Delivery Plans, in particular Objectives one and three.

### **6.2 Financial**

The Council is not required to put additional match funding into WSLF in order to extend delivery across all of Argyll and Bute. However, monies lent from the current fund to businesses outside of Helensburgh and Lomond cannot use ERDF funds. The WSLF allocation of £235k has £94k of ERDF included so the net amount available to lend outside of Helensburgh and Lomond is therefore £141k.

If a Scottish Local Authority loan fund is developed, it is expected that WSLF monies would transfer. Additional match would be required if the Council wanted to increase the total funding available to Argyll and Bute based businesses, but this would leverage ERDF funds.

- 6.3 Legal The West of Scotland Loan Fund Manager has advised that there are no legal implications for making WSLF more widely available.
- 6.4 HR The existing 3.2 FTE advisers within the Business Gateway team have the skills to provide the required business support. Currently one FTE within the team is trained in WSLF processes and systems. Training is provided by WSLF should more of our Advisers require this. No additional personnel within the Business Gateway Team are required to support the wider WSLF delivery.
- 6.5 Equalities This will have no adverse impact on key equality groups. Wider provision of WSLF will comply with all Equal Opportunities policies and obligations.
- 6.6 Risk Due to the operational overlap between the current method of Business Gateway delivery and wider WSLF delivery, there is limited risk for the Council as it is well placed to provide the services required.
- 6.7 Customer Services Greater provision of affordable loan finance to businesses and the removal of inequalities between the administrative areas of Argyll and Bute will have a positive impact and contribute to an improved customer experience.

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14<sup>th</sup> August 2014

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