

The Highland Council
Planning, Development and Infrastructure Committee
11 May 2016

Agenda Item	19
Report No	PDI 36/16

Transition of Highland Opportunity Loan Fund Activity to the Highland Council

Report by the Director of Development and Infrastructure

Summary

This report invites Committee to nominate Members to the Board of Highland Opportunity Investments Ltd (HOIL) and to agree the tiered loan approvals process proposed for the approval of business loans, and Business Loans Scotland loans by the Highland Council.

1. Background

- 1.1 On 14 January this year, as part of the overall Council budget setting process, the board of Highland Opportunity Ltd (HOL) agreed to wind up the organisation and to transfer activities to the Highland Council. The Planning, Development and Infrastructure Committee agreed the winding up and transfer of activity on 17 February.
- 1.2 The HOL board also agreed to the establishment of an implementation group of Highland Council and HOL officers to oversee the transition of HOL and transfer of activities to the Highland Council. The Implementation Group met on 22 February and 14 March to agree the implementation process and to allocate parts of the process to officer groups.
- 1.3 The Implementation Group recommended that the simplest way to transfer HOL loans activity, at least in the medium term, was to transfer the HOL shareholding in HOIL to the Highland Council along with the Opportunity Fund. The Highland Council would retain HOIL for the purposes of the holding of the Opportunity Fund (business loans) and the Community Enterprise Loan Fund (social enterprise loans). The transfer of the HOL shareholding in HOIL is being processed by the Council legal team.
- 1.4 As a subsidiary of HOL, HOIL currently has only one director (Cllr D Fallows) and there is a need going forward to extend the number of board members to reflect the current structure of the HOL board and the Council political structure. The HOL board is currently formed of the following elected Members:
- Cllr Dave Fallows (Chair)
 - Cllr Thomas Prag (V Chair)
 - Cllr Audrey Sinclair (Chair of PDI)
 - Cllr Donnie Mackay
 - Cllr John Ford
 - Cllr Ian Brown
 - Cllr Jamie Stone

In order to ensure continuity during the transition of HOL and the loans function to the Highland Council it is suggested that the HOIL board membership be extended to include all current HOL board members.

- 1.5 With the transfer of the management of HOIL to the Highland Council the current HOL Financial Conduct Authority (FCA) application has been withdrawn pending the appointment of board members to HOIL. When this is done the FCA application will be modified to reflect the HOIL board membership and the Council's loan and advice management procedures.

2. Approach to loan approvals

- 2.1 A two tier approach to loan approval is proposed as follows:
 - 2.1.1 Loans up to £50k (within normal delegated authority limits) are approved by the Director of Development and Infrastructure and are reported to the board during the normal cycle of meetings. This approach would be implemented for Opportunity Fund loans and the new, ERDF matched, Business Loans Scotland (BLS) loans.
 - 2.1.2 Loans over the £50k threshold would go to the board for consideration and approval. If they are Opportunity Loan fund applications then the board decision is final. If Business Loan Scotland (BLS) loans then they are a recommendation from the board to the BLS Regional Group.
- 2.2 The proposed approach is equivalent to the peer review/approvals process adopted by the pan Scotland BLS fund and the procedures adopted by Comhairle Nan Siar.
- 2.3 Such an approach also allows for the steady, ongoing approval of smaller, simpler, loans without the need for board meetings, which can lead to delay and unnecessary peaks of activity around board meeting dates. The process should therefore be more responsive to business needs and investment timescales.
- 2.4 At the time of writing the backroom processes to implement the changes to repayment collection and loan management for loan customers is underway.

3. Timetable

- 3.1 The timetable for completion of the transfer of HOIL and associated loan activity to the Highland Council is for completion of all outstanding actions and loan fund administration during May/June 2016. Staff resources have already transferred to the Highland Council.

4. Implications

- 4.1 Risk
The main risks are in ensuring that the transition of HOL, and the transition from HOL to HOIL are conducted as smoothly as possible. These are reputational risks that can be avoided by ensuring that partners, clients and staff are kept informed of progress, are treated fairly, and receive sufficient guidance and information throughout the transition.

4.2 Resource

There are no additional resource implications arising from this report. Staff currently involved in loan activity with HOL and funding resources will transfer to the Highland Council.

4.3 Legal

There are legal procedures involved in the transfer of shareholding from HOL to HOIL which are currently being dealt with by the Council legal team. The extension of the HOIL board can be notified to Companied House once agreed by Committee.

4.4 Equality

There are no equality issues arising from this report.

4.5 Climate Change/Carbon Clever

There are no Climate Change/Carbon Clever issues arising from this report.

4.6 Gaelic

There are no Gaelic issues arising from this report.

4.7 Rural

There are no rural issues arising from this report.

Recommendation

The Members are asked to consider the report and to:

- agree the extension of HOIL board membership as suggested meantime; and
- approve the two tier loan approvals process proposed at section 2.0 of the report.

Designation: Director of Development and Infrastructure

Date: 27 April 2016

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