

WEST DUNBARTONSHIRE COUNCIL

Report by the Executive Director of Housing, Environmental and Economic Development

Housing, Environment and Economic Development Committee: 8 June 2011

Subject: Strathleven Regeneration Company: conversion to a Community Interest Company (CIC)

1. Purpose

- 1.1** The purpose of this report is to provide information regarding the benefits of Strathleven Regeneration Company (SRC) converting to a Community Interest Company (CIC) and to seek approval for the Council, as a member of the company, to sign Written Special Resolutions relating to the change.

2. Background

- 2.1** SRC was formed in 2000, following the closure of the J&B bottling plant, as a special purpose vehicle to facilitate the physical and economic regeneration of the area.
- 2.2** Since 2004, Walker Group (Scotland) Ltd has been SRC's principal development partner in taking forward the Lomondgate area and investing approximately £14million. In addition, BBC Scotland, Aggreko, Whitbread, Persimmon Homes and Costa, have all committed to the area. Whilst the current focus is on Lomondgate, SRC can operate over a wider geographical area.
- 2.3** Members of SRC are West Dunbartonshire Council, Lord McFall (who is due to stand down, with Gemma Doyle MP then invited to fill this vacancy), Jackie Baillie MSP, Diageo, and Scottish Enterprise. WDC has one nominated director on the board (Councillor Black, with Councillor Rooney as alternate director and the Leader as director ex officio).
- 2.4** Since SRC's formation, WDC's contributions have included 34 acres of land, £180,000 of seed funding, in-kind support and payroll services. Other contributors have included Scottish Enterprise (Dunbartonshire) and Diageo.

3. Main Issues

- 3.1** A strategic review of SRC took place recently, from which the Board agreed to pursue CIC status. This is a new type of company model introduced in 2005 for trading companies that seek to make a profit for community benefit. CIC status would entrench the principle of non-profit distribution. A key feature of the model is the lock on assets which means that assets cannot be transferred other than at market value, except for donations to charities or other asset-locked bodies or for the benefit of the community. There is currently a similar prohibition of disbursements to members and provision for assets to go to companies/bodies having similar aims. SRC would become a social enterprise in the third sector. This would differentiate the company from public sector regeneration companies and from private sector property developers, and would open up further funding opportunities and prospective partnerships with the public sector while appealing to the corporate social responsibility aims of the private sector. This is of particular significance as seed funding from the Council is now at an end and SRC would wish to diversify funding sources. CIC status would also strengthen the company's governance as CICs are regulated and require to submit a Community Interest Statement and annual reports. The company would continue to be limited by guarantee.
- 3.2** The Balloch (Loch Lomond) Community Interest Company is an example of a CIC which already exists locally to carry out activities in partnership with others to assist in the sustainable development of Balloch.
- 3.3** Conversion to a CIC requires a small number of amendments to the company's current internal rules (articles of association and memorandum of association) to meet with good practice. The process also involves;
- Approval of draft resolutions and formal circulation to Company members;
 - Passing of the special written resolution by Company members;
 - 75% of those members with voting rights require to approve the change;
 - Submission of the CIC37 Form to Companies House.
- 3.4** A Briefing Note (Appendix 1) was sent to Councillors on 18 May regarding this matter. At the time of writing this report there has been one response which is not in favour of this move in the absence of a Council decision and involvement of local people in the decision. Any further comments will be reported verbally to Members at Committee.
- 3.5** It should be noted that the Special Written Resolutions changing the company's Articles to enable conversion to CIC status could be passed without the Council's agreement if all the other Members of the Company approve the resolutions. If possible, it is the intention for this process to be complete by the Board's next meeting on 10 June.

4. Personnel Issues

4.1 None.

5. Financial Implications

5.1 There are no financial implications. The conversion to CIC status should place SRC in stronger position for any possible funding opportunities.

6. Risk Analysis

6.1 If SRC does not pursue CIC status there is a risk that the company would be in a weaker position regarding its future financial sustainability.

7. Equalities, Health and Human Rights Impact Assessment (EIA)

7.1 No significant issues were identified.

8. Conclusions and Recommendations

8.1 It is recommended that the Committee note the benefits stated in paragraph 3.1, of Strathleven Regeneration Company (SRC) converting to CIC status and approve the signing of Written Special Resolutions relating to the change.

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Date: 25 May 2011

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Appendices: Appendix 1: - Briefing Note entitled, "Strathleven Regeneration Company: conversion to a Community Interest Company (CIC), 18 May 2011

Background Papers: None

Wards Affected: 1, 2, 3, 4, 5 and 6.