

WARWICKSHIRE

RECOVERY & INVESTMENT

FUND

PROSPECTUS

DRAFT V2

WHAT IS THE WARWICKSHIRE RECOVERY & INVESTMENT FUND (WRIF)?

The WRIF is a significant new access to finance initiative that Warwickshire County Council has launched to support the economic recovery and future growth of Warwickshire. Over the five-year period 2021/22-2025/26, the County Council is planning to invest £140m into three funding streams to provide new and additional finance options for businesses looking to invest and grow in the county. The County Council wishes to use this investment fund to drive the future growth of Warwickshire, with a particular interest in businesses that will help support our journey to a net-zero carbon emission economy, and investments that will deliver wider social value along with economic growth.

Warwickshire County Council is looking for a full return on the totality of its investment and will therefore be predominantly looking at debt finance for suitable businesses and investment opportunities. While other options may be available, such as equity or mezzanine finance, this will be considered on a case by case basis and the expectation is that most investments will be through secured loans.

The administration of the Funds is through a mixture of direct delivery by the County Council and commissioned third-party providers.

WHY ARE WE DOING THIS?

The pandemic has, and will continue to have, a significant impact on the national and local economy. Our economic forecasts show that, due to the structure and make-up of Warwickshire's business base, the county is expected to experience a larger than average decline in economic output (GVA), and a higher than average increase in unemployment. We recognise that many businesses will have had to invest significantly to adapt and survive through this period and may struggle to access the finance they need to fully recover and prosper in the post-pandemic economy. Banks are likely to be more risk adverse in the near term, further restricting the availability of finance which research has shown was already constrained within the local economy. The WRIF will therefore look to fill an identified gap in provision of finance to businesses looking to invest in the county.

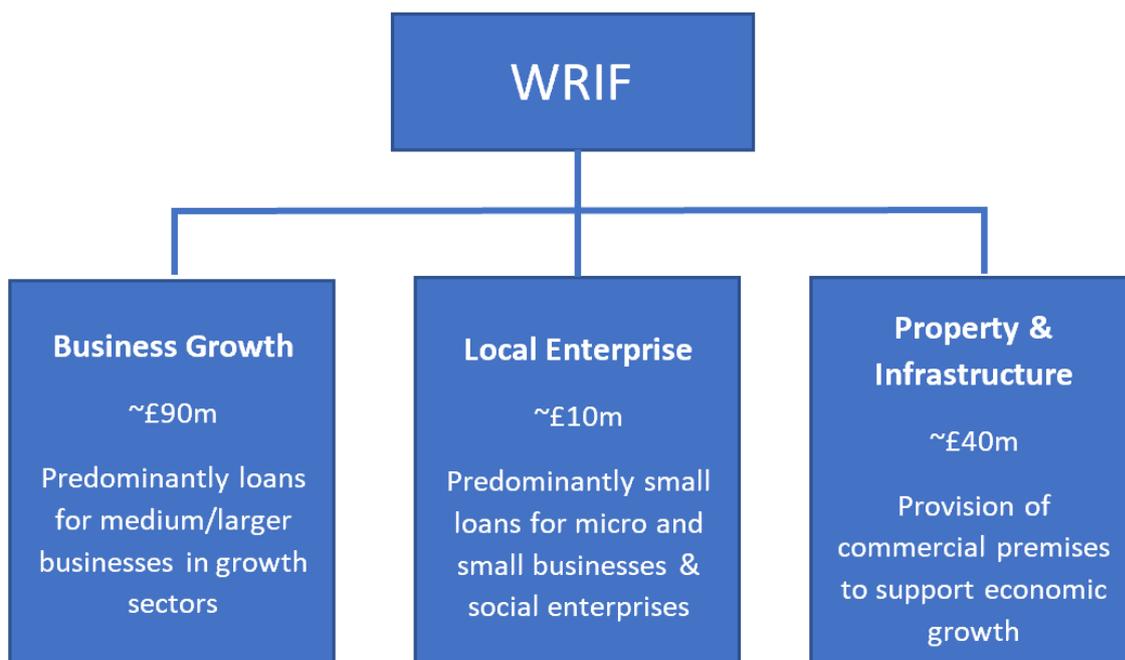
However, in the decade to 2020, Warwickshire had one of the fastest growing economies in the UK. The economic fundamentals that underpinned this growth (including our very strong knowledge and innovation base; sectoral strengths and industrial clusters that exist locally; highly skilled population; strong business start-up rates, high quality environment and transport accessibility) all remain in place.

A key priority for Warwickshire County Council is to support Warwickshire's economy to ensure it remains vibrant and is supported by the right jobs, training, skills and infrastructure. We are therefore looking to use the County Council's strong financial position to create the Warwickshire Recovery & Investment Fund to help deliver the Council's policy objectives to facilitate and support our economy recovery and future growth, safeguarding and creating new jobs within the county, drive productivity growth in the economy, and ensuring that Warwickshire is best placed to exploit the new opportunities that will undoubtedly exist as we move forward. As a local authority, we have a wider interest than just economic growth, and therefore keen to utilise the WRIF as an opportunity to promote and lever wider social value from our investments, which could include, for example, provision of apprenticeship opportunities, helping tackle inequality and poverty, supporting vulnerable groups, or enabling environment improvements.

Warwickshire County Council has also declared a climate change emergency, and we regard it as vital that our future is based on a low carbon economy, helping us move to our collective net zero ambition. We therefore will seek to use this fund to help encourage and support this shift to a more sustainable, net zero carbon economy.

WHAT ARE WE LOOKING TO INVEST IN?

The WRIF is comprised of three component parts, which have different objectives and areas of focus.



1. BUSINESS GROWTH

This strand is looking to support existing businesses in Warwickshire, or those who are wishing to locate within the county, who are looking at growth or new market opportunities. By exception, we will consider investments in businesses just outside the county if there are clear and tangible benefits to Warwickshire by doing so. We are particularly interested in businesses and sectors that will help drive the future of Warwickshire's economy, and those business activities that will help support our commitment towards a net-zero carbon economy. Priority sectors of interest to the County Council under this fund are:

Future Growth Sectors:

- Automotive Technology
- Digital Creative & Digital Technologies
- Future of Mobility
- Low carbon technologies

Other key priority sectors:

- Advanced manufacturing
- Culture, Tourism & Hospitality
- Modern methods of construction
- Health & Wellbeing
- Agri-tech and rural based businesses
- Businesses in the supply chain that support delivery of the Council's priority outcomes for people, for example public health, social care and education.

Focused on Medium Sized Enterprises (50-250 employees), but open to smaller or larger businesses on a case by case basis.

Investment proposals from businesses outside these sectors will be considered on a case by case basis, but most focus on innovation and future growth opportunities and will need to demonstrate a clear commitment to low carbon activities.

This fund will be looking to make a limited number of higher value investments over the five-year period. Investments will be predominantly debt finance, with loans expected to range up to a maximum of £10m. We are therefore expecting to invest

in medium-sized businesses (50-250 employees, although we will consider larger or smaller businesses); that are at least 3 years old (or can demonstrate a track record of operations that demonstrate growth potential) ; can clearly demonstrate the growth potential of the business proposal; and can offer a good level of security over the investment. Alternative forms of investment, such as equity or mezzanine finance, may be considered on an exceptional basis.

Key objectives for this fund are:

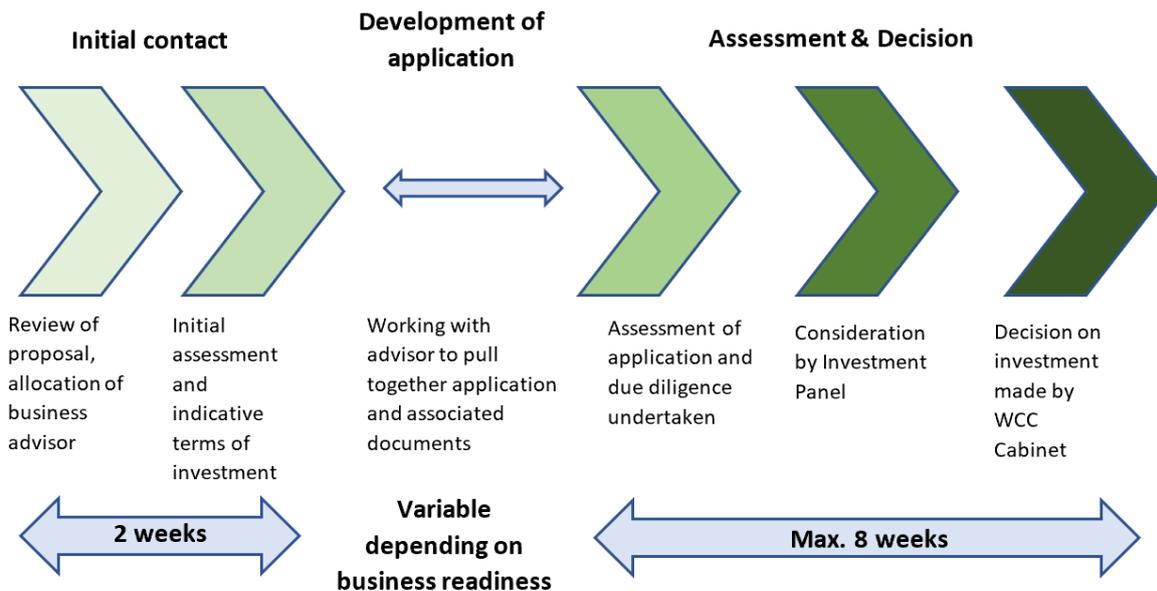
- Creating new jobs within the county or for residents of Warwickshire
- Increasing economic output
- Levering additional investment into the county
- Increasing level of business rates
- Supporting transition to a low carbon economy

Process for applying:

Businesses who feel they meet the aims and ambitions of this fund are encouraged to make contact with the Business Growth team at Warwickshire County Council in the first instance to provide an initial view on the suitability of the fund. Subject to a basic eligibility test, a specialist advisor will then be appointed to work with you to review the investment proposal, assess the business plan and provide an initial indication on the broad terms on which an investment may be provided. If this is satisfactory, then more detailed work will then be undertaken with you to develop the application and collate all the information that will be needed for a detailed appraisal of the proposal and due diligence to be undertaken.

Following this review process, the investment proposal will be taken to an Investment Panel for consideration. The Investment Panel will be comprised of Warwickshire County Council officers and external advisors who will make a recommendation to the County Council's Cabinet for approval of the investment.

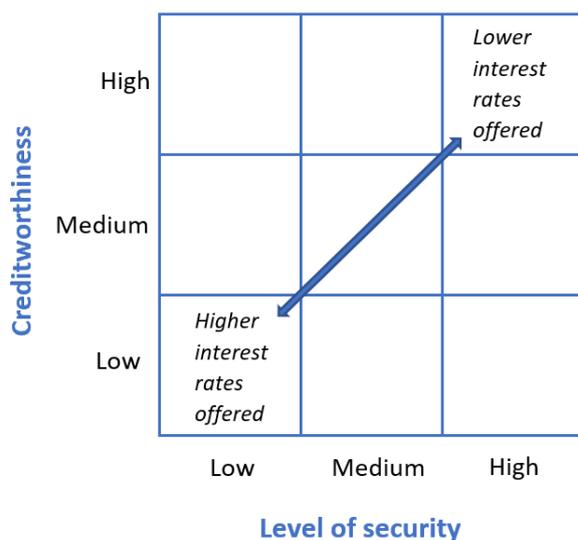
Our aim is for this process to be as streamlined and as quick as possible. Our intention is that, subject to all the relevant documentation and evidence being provided, a decision will be made within 8 weeks of submission of the application for funding. An overview of the process and timescale is shown below.



Key Information:

The predominant form of finance through this fund will be via commercial loan. The interest rate that be charged on such a loan will be determined through both a detailed assessment of the creditworthiness of the applicant, and the level of security that can be provided. The following matrix can be used as a high-level guide, but a more accurate assessment of the likely terms of a specific loan will be provided by our specialist advisors following a review of the investment proposal being offered.

Indicative Interest Rate Matrix



A 9-box grid will be provided in the Prospectus to give businesses an indication of likely interest rates that will be offered based on an analysis of creditworthiness and the level of security over the loan being provided. This is just indicative, and a more detailed calculation will be undertaken and a bespoke rate provided following due diligence. Figures will be based on market analysis and therefore subject to change. Rates for the launch currently being finalised

2. LOCAL ENTERPRISE INVESTMENT

Overview

This element is aimed at smaller businesses, new business start-ups, early phase businesses, and social enterprises. Our focus is on micro (less than 10 employees) and small businesses (less than 50 employees) but will consider applications from medium-sized enterprises up to 250 employees on a case by case basis. Applications from businesses larger than this are not eligible for this fund.

The fund is open to all business sectors, but priority will be given to the following sectors that are particularly important and prevalent in our economy:

Building on our strengths:

- Advanced manufacturing & engineering
- Digital Creative & Digital Technologies
- Culture, Tourism & Hospitality
- Low carbon technologies

Other key priority sectors:

- Retail
- Community based enterprises
- Creative industries
- Health & wellbeing
- Social care or other supply markets to the Council and/or Warwickshire public services

Focused on start-ups, micro and small businesses (less than 50 employees).

In addition, applications from under-represented groups, including female-led businesses, young people, care leavers, and from minority communities are particularly welcomed and will be given additional weighting when proposals are being assessed.

We are looking to make a larger number of smaller investments through this fund, and this would be predominantly debt finance through loans. We would expect that

investments would not exceed £100k per business, although larger investments might be possible subject to a compelling proposal.

Key objectives for the council for this fund are:

- New business starts
- Helping small businesses grow and scale
- Helping establishment of social enterprises and community-based businesses
- Creation of new jobs (particularly including apprenticeship opportunities)
- Safeguarding jobs
- Supporting transition to the low carbon economy
- Support climate change adaptation and mitigation
- Delivering wider social value in line with the Council's objectives

Process for applying:

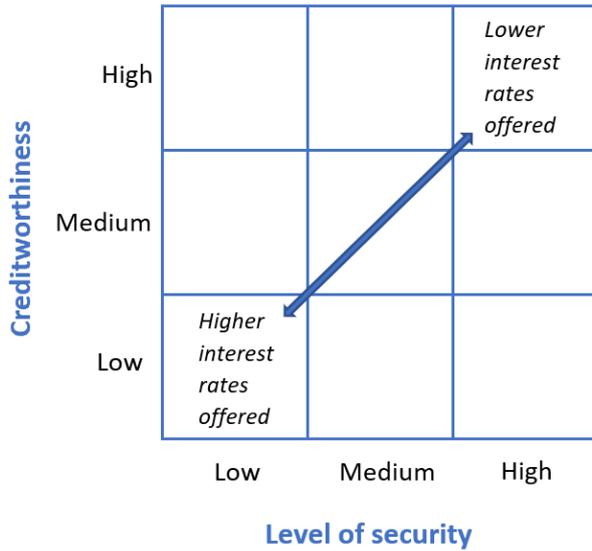
Businesses who feel they meet the aims and ambitions of this fund are encouraged to make contact with the Business Growth team at Warwickshire County Council in the first instance to provide an initial view on the suitability of the fund. Subject to a basic eligibility test, a specialist advisor can be appointed if needed to work with the business, individual or group to further explore the proposal and assess the business plan. If needed, specialist support can be provided free of charge to help develop these ideas and business plan, helping develop robust investment proposals and advise on complementary finance options.

The County Council will be procuring a third-party provider(s) to manage and administer this fund on our behalf. Further information on the process for reviewing and approving applications for finance through this fund will be provided in due course.

Key Information:

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3. PROPERTY & INFRASTRUCTURE

This is a flexible investment scheme that can be deployed to help the purchase and/or development of new employment land or commercial space to support the growth of Warwickshire’s economy by providing a supply of premises options to business looking to grow within or relocate to Warwickshire. The Council will generally lease these premises back to companies. Our focus is on supporting new development that will help provide the land and premises needed to drive the future growth of our economy and will therefore be linked to supporting growth in our key priority sectors. In particular, we are interested in supporting schemes that will help grow and expand our provision of property for the following key priority sectors:

Creating space for future growth:

- Automotive technology
- Digital Creative & Digital Technologies
- Future of Mobility

- Low carbon technologies
- R&D and innovation facilities
- New start-up, incubator and accelerator space

Other key priorities:

- New/upgraded spaces within our town centres, incl. retail, hospitality, culture, leisure, health & wellbeing, community-based enterprises, co-working/flexible work space
- Health & social care facilities

In general, investments will be to develop or bring forward new employment land/commercial space for businesses within these key sectors. We are therefore interested to hear from businesses who are looking for space within the County – these can be existing businesses, or businesses committed to locating within Warwickshire.

Key objectives for this fund are:

- Creation of net new employment in the county
- Supporting new inward investment into the county
- Development of new employment land
- Development of new commercial space
- Supporting the transition to a low carbon economy

Process for applying:

Anyone interested in this element of the WRIF are encouraged to make contact with the Business Growth team at Warwickshire County Council in the first instance to discuss potential opportunities for investment.

HOW TO GET IN CONTACT?

Further details, information and news about the WRIF can be accessed through our website: www.warwickshire.gov.uk/wrif

Anyone interested in discussing their investment proposals should use the following contact details. All enquires will be responded to within 2 working days.