

# Portfolio Holder Decision

## WCC Business Loans and Grants - Economic Recovery

<b>Portfolio Holder</b>	<b>Portfolio Holder for Finance and Property</b>
<b>Date of decision</b>	<b>25 March 2022</b>
	<b>Signed</b>

### 1. Decision taken

That the Portfolio Holder for Finance and Property:

- Approves the addition of up to £0.24 million from the Contain Outbreak Management Fund (“**COMF**”) to the Capital Programme in order to support additional grants for small businesses impacted by the Covid-19 pandemic.
- Approves the reallocation of £0.56 million of Capital Growth funding from supporting small business loans to supporting small capital grants in order for the Council to be able to provide additional economic recovery and growth grants in 2022/ 2023 and later years.
- Authorises the Strategic Director for Communities to negotiate, and enter into, all relevant agreements with small business grant recipients on terms and conditions acceptable to the Strategic Director for Resources.

### 2. Reasons for decisions

- 2.1 The first decision is required to add up to £0.24 million from the Contain Outbreak Management Fund (“**COMF**”) to the Capital Programme in order to support additional grants for small businesses impacted by the Covid-19 pandemic as part of the Council’s Retail & Hospitality and Survive, Sustain & Grow (“**SSG**”) Grant schemes.
- 2.2 The second decision is required is to reallocate £0.56 million of Capital Growth funding in Block Header 11425000 (Capital Growth Fund - Access to Finance) from Sub Block 11425001 (Small Business Loans) to Sub Block 11425002 (Small Capital Grants) in order for the Council to be able to provide additional economic recovery and growth grants. Whilst this is not considered a change in Council policy, it does represent a change to the business case approved by Cabinet in 2015. In particular, it would mean that £0.56 million of funding would no longer be recycled to support additional loans. Approval from the Portfolio Holder for Finance and Property is required for this change.

### 3. Background information

#### COMF Grants – Addition to the Capital Programme

- 3.1 The Contain Outbreak Management Fund (“**COMF**”) provides local authorities in England with financial support for test, trace and contain activity. Suggested activities that the COMF can be used to support include ‘*additional resource for compliance with, and enforcement of, restrictions and guidance*’ and ‘*targeted interventions for specific sections of the local community and workplaces*’.
- 3.2 Corporate Board agreed to use £0.82 million of COMF funding to provide grants for small businesses impacted by the Covid-19 pandemic as part of the Council’s existing Adapt & Diversify, Retail & Hospitality and Survive, Sustain & Grow (“**SSG**”) Grant schemes. In particular, funding from the COMF allowed the Council to meet the demand for grant assistance from small businesses on its SSG programme. The original allocation for SSG grants in the Capital Investment Fund (“**CIF**”) was £0.25 million. Sixty small businesses were supported in the end with capital grants worth £0.43 million with 31 projects being funded by £0.2 million from the COMF.
- 3.3 It was also agreed to use funding from the COMF to support eligible projects funded by the Council’s Retail and Hospitality Grant scheme. Up to eight projects could be funded in 2021/ 2022 by £0.04 million from the COMF.

#### Options/ Proposal

- 3.4 In order to provide the further grants, there are two options.
- 3.5 Option 1: Use the Capital Investment Fund (CIF) – The Council could use the CIF to fund the additional SSG projects. It could also continue to use the CIF to fund the £0.04 million of Retail & Hospitality projects. However, this would divert funding away from the Council’s existing Small Capital Grant scheme and significantly reduce the budget available to support small Warwickshire businesses with their economic recovery and growth plans in 2022/ 2023 and later years. It would also lead to an underspend against the Council’s COMF grant from Government.
- 3.6 Option 2: Use the COMF – This would involve using up to £0.24 million of funding from the COMF to support the Council’s Retail & Hospitality and SSG schemes.
- 3.7 Option 2 is recommended. This uses funding from the COMF to provide additional grants for small businesses impacted by the Covid-19 pandemic. This maximises use of the CIF whilst using funding from the COMF to support additional grants. Only expenditure which specifically meets the COMF criteria will be supported. A revenue contribution to capital outlay will be made at Quarter 4 to reflect the outturn and to add the relevant amount to the Capital Programme (11613000 Capital Investment Fund/ Small Business Grants).

## Reallocation of Capital Growth Fund

- 3.8 Council, in July 2015, approved the use of a maximum £2 million of the Capital Growth Fund to fund a programme of business loans and grants; £1 million to support small business loans and £1 million to establish a programme of grants. It was expected that up to £0.75 million of the budget for small business loans would be recycled to provide additional capacity to make further loans. However, there was no requirement for the allocation from the Capital Growth Fund to be re-paid on the basis that there could be a high default rate over time. In 2017, Cabinet also approved the reallocation of £0.2 million from small business loans to grants due to the (then) availability of other funding to support loans in Warwickshire and the demand from businesses for grants
- 3.9 Since 2015, the Council has made available loans of £0.5 million and grants of £0.25 million to Coventry and Warwickshire Reinvestment Trust (“**CWRT**”) in order to support them with their small business loans activities. This has allowed CWRT to support an additional 29 Warwickshire businesses, safeguarding 109 jobs and helping create 34 new jobs. £0.44 million of the £0.5 million of loans has now been re-paid with a further payment due by the end of March 2022. The final outstanding loan is due to be re-paid by the end of 2023/ 2024.
- 3.10 £0.56 million of the budget for small business loans was forecasted to be used/ recycled to support additional loans. However, the original business case for the Capital Growth Fund has been superseded by the introduction of Government loan schemes (CBILS and the UK Loan Recovery Scheme) and the establishment of the Council’s own Local Communities and Enterprise (“**LCE**”) Fund as part of the Warwickshire Recovery and Investment Fund (“**WRIF**”).
- 3.11 At the same time, the Council’s grant programmes have seen major demand. The £1.2 million allocation from the Capital Growth Fund for grants was allocated in full by December 2017, supporting 54 small businesses with their growth plans and subsequently helping create 118 new jobs. A further £1.75 million from the Capital Investment Fund has so far supported 112 businesses and the Adapt & Diversify scheme supported 120 businesses with £1.45 million of grants.
- 3.12 There has been a reduction in demand for WCC’s grants in the second half of 2021/ 2022 due to an additional round of the Government’s Additional Restrictions Grants (“**ARG**”) and a further round of European Regional Development Fund (“**ERDF**”) investment funding at sub-regional level. However, both funds are time-limited (until only March 2022 in the case of the ARG) and there is expected to be a significant increase in demand for WCC’s grants in 2022/ 2023 and later years.

## Options/ Proposal

- 3.13 Option 1: No change – retain the loans to small businesses – This option would involve the Council continuing to use the allocation from the Capital Growth Fund to support small business loans. However, this would compete with the LCE pillar of the WRIF. There is also less demand currently for small capital loans. Moreover, this would not address the demand from small Warwickshire businesses for grant assistance with their economic recovery and growth plans.

- 3.14 Option 2: Closure of the Capital Growth Fund project – This option would involve the closure of the Capital Growth Fund project and, in effect, the repayment of the £0.56 million. Whilst this would allow the funds to be used to support other capital investment priorities, it would not address the demand from small Warwickshire businesses for grant assistance with their economic recovery and growth plans. In particular, it would involve the total closure of the Council’s small capital grants programme in the first half of 2022/ 2023 as the CIF budget is expected to be fully allocated by that point.
- 3.15 Option 3: Reallocation from loans to grants – This option would involve reallocating £0.56 million of Capital Growth funding from small business loans to small capital grants.
- 3.16 Option 3 is recommended. This will allow the Council to be better able to meet the demand from small businesses in Warwickshire for grant assistance with their economic recovery and growth plans by increasing the allocation to the Council’s existing small capital grant scheme. The funding will still be used to support the objectives of the original business case. In particular, it will allow the Council to continue to offer a comprehensive package of financial support for businesses including debt and loan finance via the WRIF and Coventry & Warwickshire Duplex Fund as well as grants. There are also no additional costs to the Council. Indeed, the additional grants will primarily be funded by loans which have now been re-paid by CWRT.

#### **4. Financial implications**

- 4.1 The additional grants for businesses impacted by the Covid-19 pandemic (and addition to the Capital Programme) will be funded by the Government’s COMF grant. A revenue contribution to capital outlay will be made at Quarter 4 to reflect the outturn and to add the relevant amount to the Capital Programme.
- 4.2 The reallocation of Capital Growth funding will be funded by the original allocation from the Capital Growth Fund approved in July 2015. There are no additional costs to the Council. Indeed, the additional grants will primarily be funded by loans which have been repaid. Whilst it will no longer be possible to recycle the budget in the long-term, this is outweighed by the clear benefits in the short and medium-term of the Council being better able to meet the demand from small businesses in Warwickshire for grant assistance with their economic recovery and growth plans.
- 4.3 Once the reallocated Capital Growth Fund budget has been allocated as grants, then the budget will be fully depleted. Any further budget for additional capital grants would have to be considered via the CIF process. There also are not any major revenue implications from the decision. There is very little interest earned on these loans as they were given at a low rate and there is no service or corporate budget relying on the income.

#### **5. Environmental implications**

5.1 Neither decision will have a major impact on the environment. However, support for businesses in the low carbon sector and resource efficiency more generally are among the priorities for the Council's business grant programmes.

<b>Report Author</b>	Matthew Epps matthewepps@warwickshire.gov.uk
<b>Assistant Director</b>	Assistant Director for Communities
<b>Strategic Director</b>	Strategic Director for Communities
<b>Portfolio Holder</b>	Portfolio Holder for Finance and Property

<b>Urgent matter?</b>	No
<b>Confidential or exempt?</b>	No
<b>Is the decision contrary to the budget and policy framework?</b>	No

<b>List of background papers</b>
None

<b>Members and officers consulted and informed</b>
Portfolio Holder – Councillor Peter Butlin
Corporate Board – Mark Ryder
Legal – Nichola Vine, Jack Cantwell
Finance – Andy Felton, Virginia Rennie, Andrew Harper, Stephen Robbins
Equality – Keira Rounsley
Democratic Services – Isabelle Moorhouse
Councillors Boad, Kaur, Phillips, Roberts, Singh Birdi, Warwick