

**Decision to be made by the Leader of the Council on or  
after Friday 23<sup>rd</sup> October 2020**

**Coronavirus Business Interruption Loan Scheme – CWLEP  
Funding**

<b>Lead Member</b>	Cllr Seccombe
<b>Date of decision</b>	Signed

**Decision taken**

That the Leader of the Council:

- Approves the County Council entering into an agreement with Coventry City Council to re-purpose £1 million of Coventry and Warwickshire Local Enterprise Partnership (CWLEP) funding for the provision of the Coronavirus Business Interruption Loan Scheme (CBILS) in Warwickshire.
- Approves the County Council entering into a loan agreement with Coventry and Warwickshire Reinvestment Trust Limited (CWRT) for the on-lending of the CWLEP funding to businesses based in Warwickshire.
- Authorises the Strategic Director for Communities to negotiate, and enter into, all relevant agreements on terms and conditions acceptable to the Strategic Director for Resources.

**Reasons for decisions**

The decisions are required in order to make available £1 million of funding allocated by Coventry and Warwickshire Local Enterprise Partnership (CWLEP) to support delivery of the Government's Business Loan Interruption Scheme (CBILS) in Warwickshire via Coventry and Warwickshire Reinvestment Trust (CWRT). In particular, approvals are sought for the Council to enter into an agreement with Coventry City Council (CCC) to receive £1 million of CWLEP funding for the purposes of CBILS and a loan agreement with CWRT for the on-lending to businesses based in Warwickshire. CCC act as the Accountable Body for the CWLEP. However, they are unable to secure loans to CWRT

for on-lending to businesses based in Warwickshire. The County Council, on the other hand, has security arrangements in place with CWRT (as part of a small number of existing loan agreements) which can be used to provide security for the CWLEP funding. CCC have, therefore, requested that the Council enters into a loan agreement with CWRT for the on-lending of the CWLEP funding to Warwickshire businesses.

## 1.0 & 2.0 Background information

### 1.0 Key Issues

- 1.1 The Coronavirus Business Interruption Loan Scheme (CBILS) is a key part of the package of support put in place by Government to support smaller businesses affected by Covid-19. It is delivered through over 100 commercial lenders, backed by the Government-owned British Business Bank. The Government provides the accredited lenders with a guarantee of up to 80% on each loan (subject to a per-lender cap on claims). The Government also makes a Business Interruption Payment to cover the first 12 months of interest payments and any lender fees.
- 1.2 CBILS was due to finish at the end of September. However, the Government announced on 24<sup>th</sup> September 2020 that the scheme would be extended until 30<sup>th</sup> November 2020.
- 1.3 The major banks and other mainstream providers have provided the large majority of finance under the scheme. However, smaller specialist local lenders have also helped meet demand from businesses. In April 2020, the Council agreed to make available a loan of up to £1 million to Coventry and Warwickshire Reinvestment Trust (CWRT) – a not-for-profit, FCA accredited specialist finance provider set up to fill gaps in mainstream lending in Coventry and Warwickshire – in order to increase the delivery of CBILS in Warwickshire.
- 1.4 The May 2020 loan from the Council has formed a part of a package of sub-regional funding. The Council was followed by Nuneaton and Bedworth Borough Council, Rugby Borough Council and Warwick District Council as well as Coventry City Council (CCC) in making funding available to CWRT. The three Warwickshire district and borough authorities collectively provided £0.750 million of loans to CWRT. In July 2020, the CWLEP also approved for CBILS the use of up to £2 million of funding currently allocated to support the Coventry and Warwickshire Duplex Investment Fund in advance of it being required to support the Duplex project. Of this, £1 million has been allocated for CBILS to support businesses based in Warwickshire.
- 1.5 CWRT have now lent £1.750 million under CBILS to businesses in Warwickshire, safeguarding 213 jobs with a further 75 new jobs expected to be created. CWRT also have a pipeline of further enquires and applications worth over £1 million from businesses in Warwickshire.
- 1.6 CCC act as the Accountable Body for the CWLEP. However, they are unable to secure loans to CWRT for on-lending to businesses based in Warwickshire. This

is because the security developed as part of the Duplex Fund (which also covers other lending) did not contemplate either council taking security over a loan book relating to the other council area. The County Council, on the hand, has security arrangements in place with CWRT (developed for the Duplex loan agreement and used for subsequent loans including the May 2020 loan for CBILS) which can be used to provide security for the CWLEP funding. CCC have, therefore, requested that the Council enters into a loan agreement with CWRT for the on-lending of the allocated CWLEP funds to Warwickshire businesses.

- 1.7 The CWLEP funded loan will allow CWRT to support a further ten businesses in Warwickshire, safeguarding a further 143 jobs. The loan will be used to support otherwise viable small businesses who have been unable to secure sufficient (or any) finance from their bank or other mainstream lenders. Priority will continue to be given to businesses with 5-49 employees in order to maximise impact.
- 1.8 The loan will be secured using the same security package as previous loans from the Council to CWRT: an all-encompassing debenture and a deed of assignment covering the loan book created by CWRT using the loan. These documents were prepared following a lengthy due diligence process during the establishment of the Duplex Fund and they are being used effectively for other loans including the Council's CBILS loan. The Council was also advised on the establishment of Duplex by an external banking law specialist at the law firm Browne Jacobson.
- 1.9 Lending in the current Covid-19 crisis would normally represent a high risk for the Council. However, the agreement with CCC (in addition to the requirement to enter into the loan agreement with CWRT) only requires the Council to repay income or sums actually received from CWRT by way of repayment of this new CBILS loan and the proceeds of any associated Government guarantee as well as any related interest paid to the Council. The only financial risk to the Council is, therefore, a highly unlikely breach or negligent performance or non-performance of the agreement with CCC. The agreement with CCC also provides that any unused part of the £1 million CWLEP funding can be lent to CWRT pursuant to any CBILS replacement scheme provided the parties (and CWLEP) so consent.
- 1.10 The main risk is actually to the future delivery of the Duplex Fund in Warwickshire in the unlikely event that the repurposed CWLEP funding is not repaid. However, the CWLEP has allocated sufficient funding to support Duplex in Warwickshire until the end of 2022/ 2023 (based on current demand and take-up). Furthermore, all receipts from this new CWLEP funded loan from the Council to CWRT will be reimbursed back into the delivery of Duplex in Warwickshire as soon as they are received, and all sums are expected to be repaid before they are needed. There is obviously a risk that demand from businesses for Duplex will increase in later years. However, Duplex is scalable, and the Fund can be re-scaled to meet the available budget. Moreover, the risk of not supporting additional CBILS loans in 2020 is considered far greater than having less funding for Duplex in 2022/ 2023 and beyond.
- 1.11 Finally, it should be recognised that the risk to Duplex is mitigated to some extent by the Government guarantee to accredited CBILS lenders. The Government is providing CBILS lenders with a guarantee of up to 80% on each loan subject to a

per-lender cap on annual claims. CWRT, for their part, can claim up to 60% of the outstanding capital balance on any bad debts (after exhausting all opportunities to obtain the funds from the borrower (i.e. credit control, using the security secured against the loan)). The Council's loan agreement with CWRT will require that all associated payments from Government are used in the first instance to repay the CWLEP funded loan.

- 1.12 The risk to Duplex is also mitigated by CWRT's Lending Policy (which has been reviewed by the British Business Bank on behalf of the Government as part of the approval process to become a CBILS lender) and their FCA accreditation. CBILS lenders are under no obligation to support a business despite the Government guarantee. CWRT, for their part, normally only fund low risk businesses and some medium ones subject to the security available. CWRT are also FCA regulated which requires them to minimise default rates across their whole loan book.

## 2.0 Options and Proposal

- 2.1 Option 1: Do nothing – The Council could now do nothing further and hope that lending from other CBILS lenders will meet the demand from small businesses in Warwickshire. However, this is considered highly unlikely. CWRT have seen high demand for their lending (as have all CBILS lenders) and the businesses which make up the pipeline described in 1.5 have already approached their bank or other CBILS lenders.
- 2.1 Option 2: Unsecured loan from CCC to CWRT – The Council could ask CCC to enter into an unsecured loan agreement with CWRT. Whilst this might meet the short-term goal of making the CWLEP funding available to businesses based in Warwickshire, it would represent an unacceptable risk to the future delivery of the Duplex Fund in Warwickshire. The £2 million of CWLEP funding currently allocated to support Duplex and being repurposed to temporarily support CBILS is allocated equally across Coventry and Warwickshire, and CCC have already entered into a secured loan agreement with CWRT for the £1 million allocated to Coventry
- 2.1 Option 3: Council enters into the loan agreement with CWRT using the £1m CWLEP allocation – This option would make the CWLEP funding for lending to businesses based in Warwickshire available quickly whilst managing the risk to the future delivery of the Duplex Fund in Warwickshire. The CWLEP funded loan will be secured and the Government is providing CWRT with a guarantee of up to 60% of any bad debts (and the Council's loan agreement includes the requirement for CWRT, in the first instance, to use any such payments from Government to repay the Council's loan).

Option 3 is recommended. It makes the CWLEP funding available quickly and this report has set out how the risks to the future delivery of the Duplex Fund can be mitigated to an acceptable level. Moreover, the financial risk to the Council is limited to a highly unlikely breach or negligent performance or non-performance of the agreement with CCC.

### **3.0 Financial implications**

- 3.1 The £1 million loan to CWRT will be funded in full by the CWLEP. It is intended that CWRT will be charged interest at the same rate as the Council's own May 2020 CBILS loan to CWRT. This is 1.5% above base. Any such interest received on this new CWLEP-funded loan will need to be invested back into Duplex.
- 3.1 The only financial risk to the Council is a highly unlikely breach or negligent performance or non-performance of the agreement with CCC. The agreement with CCC (in addition to the requirement to enter into the loan agreement with CWRT) only requires the Council to repay income or sums actually received from CWRT by way of repayment of this new CBILS loan and the proceeds of any associated Government guarantee as well as any related interest paid to the Council.

### **4.0 Environmental implications**

None

### **5.0 Timescales Associated with the Decision and Next Steps**

- 5.1 It is appropriate that this report should be dealt with via an additional Portfolio Holder decision. The loan to CWRT (and CBILS loans to individual businesses) need to be made available as soon as possible. The agreement with CCC has already been received and a draft loan agreement with CWRT has been prepared and therefore it is expected that the loan will be entered into within a few days of the Decision.

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<b>Lead Director</b>	Mark Ryder
<b>Lead Member</b>	Leader of the Council

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

### **Lists of reports considered**

N/A

### **List of background papers**

None

## **Members and officers consulted and informed**

Portfolio Holder – Councillor Izzi Seccombe

Corporate Board – Mark Ryder

Legal – Jane Pollard

Finance – Virginia Rennie

Equality – Keira Rounseley

Democratic Services – Helen Barnsley