

Agenda No

AGENDA MANAGEMENT SHEET

Report Title: Coronavirus Business Interruption Loan Scheme
– Loan Agreement with Coventry and
Warwickshire Reinvestment Trust

Name of Committee: Emergency Report

Date of Meeting: 4 June 2020

Report Director: Interim Chief Financial Officer

Portfolio: Corporate Resources

Ward Relevance: All wards

Prior Consultation: None

Contact Officer: Jon Illingworth, Financial Services Manager and
Interim S151 Chief Financial Officer
jon.illingworth@rugby.gov.uk
01788 533410

Public or Private: Private

Report Subject to Call-In: Yes

Report En-Bloc: No

Forward Plan: No

Corporate Priorities: This report relates to the following priority(ies):

(CR) Corporate Resources To provide excellent, value for money
services and sustainable growth

(CH) Communities and Homes Achieve financial self-sufficiency by 2020

**(EPR) Environment and Public
Realm** Enable our residents to live healthy,
independent lives

(GI) Growth and Investment Optimise income and identify new revenue
opportunities (CR)

Prioritise use of resources to meet changing
customer needs and demands (CR)

Ensure that the council works efficiently and
effectively (CR)

Ensure residents have a home that works for
them and is affordable (CH)

Deliver digitally-enabled services that
residents can access (CH)

Understand our communities and enable
people to take an active part in them (CH)

- Enhance our local, open spaces to make them places where people want to be (EPR)
- Continue to improve the efficiency of our waste and recycling services (EPR)
- Protect the public (EPR)
- Promote sustainable growth and economic prosperity (GI)
- Promote and grow Rugby's visitor economy with our partners (GI)
- Encourage healthy and active lifestyles to improve wellbeing within the borough (GI)
- This report does not specifically relate to any Council priorities but

Statutory/Policy Background: Please see legal implications for statutory background. There are no policy background issues to report.

Summary: The report sets out the proposal to make a loan payment of up to £0.250m to the Coventry and Warwickshire Reinvestment Trust (CWRT) which will be used to provide Coronavirus Business Interruption Loans to support local business recover from the coronavirus pandemic.

Financial Implications: The loan provided to Coventry and Warwickshire Reinvestment Trust (CWRT) will be repaid as per the terms of the loan agreement. The loan must be made at a commercial rate so the Council will not incur any financial loss and to avoid State Aid issues. The loan will be funded using internal cash balances.

Risk Management Implications: As the Coronavirus Business Interruption Loan (CBIL) scheme is backed by an 80% government guarantee, the financial risk to the Council is significantly mitigated. CWRT are FCA regulated which requires them to minimise the default rates across their whole loan book. Based on a total value of £0.250m, the Council's risk is a maximum of £0.050m.

Environmental Implications: There are no environmental implications arising from this report.

Legal Implications: Whilst s.1 of the Localism Act 2011 (general power of competence) and s.2 of the Local Government Act 2000 (promotion of well-being) are pertinent, the relevant statutory power for a local authority making a loan is comprised within s.12 of the Local Government Act 2003. S.12

provides Local Authorities with the power to invest for any purpose relevant to its functions under any enactment, or for the purposes of the prudent management of its finances.

Exercise of any power to invest under s.12 of the Local Government Act 2003 must have regard to guidance issued by the Secretary of State relating to this power.

The current statutory guidance on local government investments makes it clear that investment covers loans to third parties, provided such a third party is not a pension fund or trust fund.

Provided any loan that is made has regard to this guidance, then the Council has the power to make that loan.

In respect of state aid, loans can be caught by the state aid rules. The de minimis threshold is EUR 200,000, so a £250,00 loan is above that threshold and could be state aid. However, if the Council provides a loan on market terms, it shouldn't be treated as State Aid because the Council is acting in line with the Market Economy Investor Principle (the "MEIP"). When making such loans, the Council will need, amongst other things, to carry out prior due diligence to demonstrate that the loan is a prudent use of the Council's resources and that any other lender (i.e. banks) could have a provided a loan on those terms.

A legal agreement will need to be entered into, documenting the terms of the loan, to evidence that it is on commercial terms and therefore could not be construed as state aid.

Equality and Diversity:

The Council has given due to regard to its statutory obligations in accordance with the Equality Act 2010. There are no direct equality implications that need to be reported or give rise to any form of impact assessment.

Options:

To accept the report or ask for further information.

Recommendation:

- 1) That approval be given in principle a loan of up to £0.250m to Coventry and Warwickshire Reinvestment Trust to

provide loans using the Coronavirus Business Interruption Loan Scheme to businesses operating in the borough or employing a relevant percentage of their workforce from the borough.

- 2) That delegated authority be given to Executive Director/ Interim Chief Financial Officer to finalise the details of the loan agreement, in consultation with the Portfolio Holder for Corporate Resources.
- 3) Delegated Authority be given to the Executive Director/Monitoring Officer to put in place any additional safeguards to protect the Council.

Reasons for Recommendation: To enable financial support in line with the government guidance.

Agenda No

Emergency Report - 4 June 2020

Coronavirus Business Interruption Loan Scheme – Loan Agreement with Coventry and Warwickshire Reinvestment Trust

Private Report of the Interim Chief Financial Officer

Recommendation

- 1) That approval be given in principle a loan of up to £0.250m to Coventry and Warwickshire Reinvestment Trust to provide loans using the Coronavirus Business Interruption Loan Scheme to businesses operating in the borough or employing a relevant percentage of their workforce from the borough.
- 2) That delegated authority be given to Executive Director/Interim Chief Financial Officer to finalise the details of the loan agreement, in consultation with the Portfolio Holder for Corporate Resources.
- 3) Delegated Authority be given to the Executive Director in consultation with the Monitoring Officer to put in place any additional safeguards to protect the Council.

1. PURPOSE OF REPORT

- 1.1 To seek emergency powers for a loan of up to £0.250m to the Coventry and Warwickshire Reinvestment Trust to provide loans using the Coronavirus Business Interruption Loan Scheme [CBILS] to small businesses in the borough affected by COVID19. These loans are backed by a Government guarantee of 80% of the loan amount.

2. BACKGROUND

- 2.1 As part of a range of support measures for businesses affected by COVID-19, the government announced a Coronavirus Business Loan Interruption Scheme (CBILS). It supports small and medium sized businesses to access loans, overdrafts and invoice finance of up to £5.000m for up to six years. The scheme is delivered through commercial lenders, backed by the Government-owned British Business Bank. Importantly, the Government provides lenders with a guarantee of up to 80% on each loan. The Government also makes a Business Interruption Payment to cover the first 12 months of interest payments and any lender fees.
- 2.2 Accredited lenders for the scheme include all major banks and local, alternative finance providers such as Coventry and Warwickshire Reinvestment Trust (CWRT) which are an arm of the Coventry and Warwickshire LEP. A summary of CWRT is set out in Appendix A.

- 2.3 Take up of CBILS loans has been slow, with only around 50% of applications being approved. This identifies a gap in the market that requires addressing to support the recovery and sustainability of businesses following the Covid-19 pandemic.
- 2.4 CWRT is a not-for-profit, FCA accredited specialist finance provider set up to fill the gaps in mainstream lending in Coventry and Warwickshire. They currently have 29 existing loans out in Rugby worth £0.474m. They are also in currently in discussions with a further 3 businesses with potential applications of £0.250m
- 2.5 Following discussion with all districts and boroughs, Warwickshire County Council has already taken a decision to provide funding of £1m to CWRT. It is proposed that the Council provide funding of up to £0.250m, repayable over a 6-year term. This would support small businesses in the borough (or those within a very defined radius of the borough, whose employee base is made up of at least 25% of borough residents) with CBILS loans.
- 2.6 The investment will potentially safeguard both jobs and businesses within the Borough.

3. EMERGENCY DECISION

- 3.1 This decision is being made under emergency constitutional powers. This is due to COVID-19 and the inability for the Council to hold Full Council meetings. The Council has now held its first virtual Cabinet meeting but presently is undertaking work in preparation for the first Full Council meeting on the 21 July. In the absence of such meetings there are emergency powers that can be exercised by the Executive Director. This is in consultation with Group Leaders, the Mayor and the Chairman of Overview and Scrutiny.
- 3.2 This loan provides much needed financial support to businesses and if not taken under emergency powers could have a detrimental effect on local businesses if this decision is delayed.

4. CONCLUSION/RECOMMENDATION

- 4.1 It is requested that Members support the recommendations detailed within this report.

Name of Meeting: Emergency Report

Date of Meeting: 4 June 2020

Subject Matter: Coronavirus Business Interruption Loan Scheme – Loan Agreement with Coventry and Warwickshire Reinvestment Trust

Originating Department: Corporate Resources

DO ANY BACKGROUND PAPERS APPLY YES NO

LIST OF BACKGROUND PAPERS

Doc No	Title of Document and Hyperlink

The background papers relating to reports on planning applications and which are open to public inspection under Section 100D of the Local Government Act 1972, consist of the planning applications, referred to in the reports, and all written responses to consultations made by the Local Planning Authority, in connection with those applications.

Exempt information is contained in the following documents:

Doc No	Relevant Paragraph of Schedule 12A