

| Bath & North East Somerset Council |   |                                      |
|------------------------------------|---|--------------------------------------|
| MEETING/<br>DECISION<br>MAKER:     | Council Leader (as Shareholder)                           |                                      |
| MEETING/<br>DECISION<br>DATE:      | 28 <sup>th</sup> May 2020                                 | EXECUTIVE FORWARD<br>PLAN REFERENCE: |
|                                    |   | E 3211                               |
| TITLE:                             | RULE 4 - Aequus - Bounce Back Business Loan Authorisation |                                      |
| WARD:                              | N/A   |                                      |
| AN OPEN PUBLIC ITEM                |   |                                      |

## **1 THE ISSUE**

- 1.1 As part of its response to support small and medium sized businesses with the impacts of the Covid 19 pandemic, the Government have announced the provision of a Bounce Back Loan Scheme. The Council's development and construction companies (ADL and ACL) are eligible for this scheme although, as 100% owned Council companies, the approval of the Shareholder is required to make any borrowings under the specific Shareholder Agreement.

## **2 RECOMMENDATION**

The Leader as Shareholder is asked to.

- 2.1 Authorise the Aequus Companies (ADL and ACL) to access the Government backed, Bounce Back Loan facility for small and medium sized businesses, to support their working capital as a result of the Covid 19 pandemic.

## **3 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)**

- 3.1 The Council has provided a working capital loan facility to Aequus totalling £700k at a current interest rate of 5%. Aequus has currently drawn £535k against that facility. All relevant interest and capital repayments to the Council have been met in full by the companies.

- 3.2 The Bounce Back Business Loan will provide up to £50K working capital for each company at a rate of Nil% for the first year and then 2.5% thereafter for up to a

maximum of 6 years. The companies are responsible for all interest and capital repayments. The loan itself is guaranteed by the Government with no liability to the Council.

#### **4 STATUTORY CONSIDERATIONS AND BASIS FOR PROPOSAL**

- 4.1 As part of the arrangements for the management and Governance of its Companies, the Council adopted the Local Authority Companies Protocol on 14 September 2017 (amended on 8 November 2018). This included the requirements for a new Shareholder Agreement with its companies. The new Shareholder Agreement for Aequis was put in place in December 2018.
- 4.2 The Shareholder Agreement contains a number of reserved matters where the action or proposed action of the Company require the approval of the Shareholder. In this case Reserved Matter Item 28, requires the companies to obtain Shareholder approval to make any borrowing.
- 4.3 This decision is to be made under part 4G Rule 4 of the Council's Constitution as an urgent decision. This matter is urgent to enable application to the government loan scheme to address the immediate cashflow implications from the Covid-19 restrictions that impact business income.

#### **5 THE REPORT**

- 5.1 The Covid 19 pandemic is having an unprecedented impact on business and the economy and the Government have put in place a range of measures to support business with the economic impacts they are facing. This includes the Bounce Back Business Loan Scheme. Full details of the scheme can be found here: <https://www.gov.uk/guidance/apply-for-a-coronavirus-bounce-back-loan>, and in summary these are:
  - The scheme helps small and medium-sized businesses to borrow between £2,000 and up to 25% of their turnover.
  - The maximum loan available is £50,000.
  - You can apply for a loan if your business is based in the UK, was established before 1 March 2020 and has been adversely impacted by the coronavirus.
  - The government guarantees 100% of the loan and there will not be any fees or interest to pay for the first 12 months
  - After 12 months the interest rate will be 2.5% a year.
- 5.2 As the Council owned private rented and housing development companies, ADL and ACL, the Covid 19 pandemic and resulting lockdown has impacted on rents received and housing sales, together with the progress of development activity. These impacts are currently anticipated to be relatively short-term in nature and the companies have detailed actions and plans in place to deal with the issues arising.
- 5.3 ADL is projected to turnover approximately £1.4M this year with a profit forecast of £100K and ACL has a projected turnover of £20.1M with a profit forecast of

£4.2M. However, careful management of the company cash flows is necessary during this current period to ensure the company maintains sufficient cash to meet its anticipated liabilities. The potential to access the Bounce Back Business Loan Scheme will provide valuable working capital at a time when contractors are returning to work and staff are returning from furlough to recommence business for the companies after a period of significantly reduced activity.

- 5.4 As set out in Section 3 above, the Bounce Back loans have a low rate of interest and are 100% underwritten by the Government.

## **6 RATIONALE**

- 6.1 The proposals set out above provide Shareholder approval for the Council owned companies to access a Covid 19, Government support scheme, specifically targeted at small and medium sized businesses.

## **7 CLIMATE CHANGE**

- 7.1 No direct implications although, the current Shareholder objective for Aequus include the provision of low energy homes.

## **8 OTHER OPTIONS CONSIDERED**

- 8.1 As set out in the report the Aequus companies do have access to a Council backed working capital facility although this is at a significantly higher rate of interest and is not guaranteed by the national Government.

## **9 CONSULTATION**

- 9.1 The Chief Executive, the Monitoring officer and the S.151 Officer have all been consulted on this report.

## **10 RISK MANAGEMENT**

- 10.1 Aequus is overseen by a Shareholder appointed Board of Non-Executive Directors covering a range of skills and expertise. The Company maintains both corporate and site-specific risk registers in relation to its activities. Specific risks related to the impact of Covid 19 on the companies are reviewed on a regular basis by the Board and relevant briefings provided to the Shareholder.

|  |   |
|--|---|
| <b>Contact person</b>  | Tim Richens<br>Managing Director, Aequus Group of Companies<br>Tel: Bath (01225) 394367 |
| <b>Background papers</b>   | <i>None</i>   |
| <b>Please contact the report author if you need to access this report in an alternative format</b> |   |