



Warwickshire Boroughs and Districts

CWRT information

CWRT Overview

CWRT is a not-for-profit, FCA accredited, specialist finance and business support provider committed to supporting businesses and individuals primarily based in Coventry and Warwickshire. Our mission is to finance businesses and help people by providing services that are designed to fill gaps in the market and generates a beneficial impact upon the local community.

We lend to individuals, to those who are looking to start a business, and to existing businesses that have been unable to raise enough, if any, low-cost finance from elsewhere. We also provide specialised business support services in Warwickshire which are specifically tailored to meet the needs of client groups that are not always well served by mainstream providers.

We provide:

- Traditional Commercial Loans
- Duplex Investment Fund
- Start-Up Loans referral partner
- Personal Loans
- Business Support (funded by WCC)

What have we achieved? (since 2010 to date)

- 637 commercial loans
- Over 900 jobs safeguarded
- Over 720 jobs created
- £9.6m worth of commercial loans
- £2.5m worth of personal loans
- Economic impact of just over £40m

What have we done in Warwickshire?

- 196 loans worth just over £4.2m
- North Warwickshire @ 9 loans = £158k
- Nuneaton & Bedworth @ 38 loans = £892k
- Rugby @ 29 loans = £454k
- Stratford @ 52 loans = £1.2m
- Warwick District @ 68 loans = £1.5m

Where we are now?

CWRT is an ethical lender supporting entrepreneurship and jobs in communities under-served by mainstream providers. We are well positioned to channel investment into traditionally overlooked businesses, helping them to rebuild and add new employment in the months to come.

Many of our development activities are undertaken with our local public and private sectors partners to ensure that we optimise our impact on the local economy. Similarly, we are

committed to working with like-minded organisations outside the immediate area to ensure that we have the high-quality funds and products and services to sustain our growth.

Pre-Covid-19:

- Mixture of funds available, particularly loans from WCC to on-lend monies to Warwickshire-based businesses
- Duplex - The Duplex Investment Fund, a combined public sector grant and a loan, provides Coventry and Warwickshire businesses with the finance they need to make capital investments to grow their business. The overall Duplex initiative will provide an ongoing source of business investment finance that will benefit 247 business and generate 1213 new jobs in a fourteen-year period. The initiative will thus significantly contribute to economic growth.

During Covid-19:

- £1m loan fund from Warwickshire County Council to on-lend to businesses under the Government CBIL scheme (80% guarantee)
- In the process of repurposing the Growing Places £2.6m grant (that was assigned to the Duplex Fund) to on-lend to businesses in Coventry and Warwickshire under the Government CBIL scheme (80% guarantee)
- Recycling our existing funds to either refinance existing borrower loans or on-lend to new customers

Why the need for additional capital for CWRT to on-lend?

Facts & Figures:

- 93% of our loans in 19/20 went to businesses which had previously been turned down by a mainstream bank
- New Federation of Small Businesses (FSB) survey of over 400 West Midlands firms lays bare the impact of coronavirus pandemic = **One in three small employers consider redundancies** as they struggle to pay bills, shelve exports and pause product development. A new study from the UK's largest business group underscores the threat posed to millions of livelihoods by a sudden retraction of support for small firms in the weeks ahead. FSB's fresh survey of small business owners in the West Midlands finds **that four in ten (41%) have been forced to close** since the beginning of the coronavirus outbreak in the UK. Of those that have closed, **36% are not sure whether they will ever reopen again.**
- Meanwhile, of those small business owners that say they are **not using the Self-Employed Income Support Scheme, the majority (68%),** say this is because they are directors of limited companies. FSB continues to make the case for support for those **excluded from existing grant schemes,** including by **calling for increased access to improved local hardship funds.**
- CW Growth Hub Business Intelligence paper (dated over a month ago) already highlighted the **primary concern of businesses regarding their cashflow needs** – at that stage, those businesses only had weeks of cash left – although BBL was launched, there are still businesses needing more than £50k – note the impact on the supply chain that these 'bigger' businesses may have and the issues around businesses obtaining less capital but are in danger of needing further working capital at a later stage but then are unable to access any other fund due to having a BBL.

Same report highlights that 28% of businesses surveyed are being affected by cash flow issues.

- Hospitality industry have difficulty in obtaining full funds from banks due to being deemed too high risk – a real gap in the mainstream marketplace. Retail, leisure, tourism and accommodation will continue to be affected by Covid-19 and obtaining funds will become even harder as the economy dives into a recession.

How will this additional finance help?

- Majority of the businesses that have been in touch from Coventry are from the automotive, construction and the manufacturing sectors – they need the investment to ensure that they recover quickly and assist in our local economy bouncing back from this pandemic
- Therefore – the fund models will be two fold – assisting and protecting those in the sectors that social distancing measures will be difficult to put in place (retail, hospitality & leisure) but then assisting those businesses that can help assist kick starting the economy.
- Furlough scheme changes – there will be a the need for access to working capital as these changes come into effect, particularly, as HMRC have stated that due to errors being made on these submissions, they will be issuing bills for pay back of these funds.
- Then there are the VAT bills and other bills that are being deferred – businesses will have to play catch up and access to working capital will become even more vital as bills double over the next year.
- This additional finance would assist businesses in diversifying their product ranges to remain sustainable. In addition, it could help businesses become greener, streamline activities, utilise technology platforms to become more efficient etc.
- This finance could also assist with these businesses diversifying to remain sustainable
- The UK economy has already shrunk by 2% as a result of coronavirus crisis, and risks facing a further decline. At the same time, data has emerged which shows that people living in the most deprived areas are twice as likely to die from Covid-19 than those in the wealthiest. **It is therefore imperative that we strive for an inclusive recovery which levels up the disadvantaged regions of Coventry and Warwickshire, so communities emerge from the crisis strengthened and resilient.**
- CWRT ensures that the borrowers not only have access to working capital, but they are also assisted in terms of financial education, money management, sign posting to useful resources, and mentoring opportunities.

It is important to note that as 3rd tier lenders, CWRT is not here to compete with the banks and 2nd tier lenders. Should these businesses be suitable for loans from the banks and 2nd tier lenders, then they will be signposted to these lenders. We are here to fill a gap in the marketplace that these mainstream lenders leave. With this, comes a certain level of higher risk that needs to be incorporated in the interest rates as the Government CBILS guarantee only covers 80% of the capital. In addition, there are state aid rules and regulations that CWRT needs to abide by, along with FCA regulations and non-compete rules with the banks.

In addition:

- The support CWRT offer alongside the finance helps improve their customers' financial health, financial education and reduce their reliance on debt in the long run.
- CWRT does not seek to make a profit and therefore charge what we need to cover our costs.

- For the marketplace were CWRT fills a gap left by mainstream lending (note that 93% of loans in 19/20 went to businesses which had previously been turned down by a mainstream bank), the demand for finance is real, and majority of the time, the interest rate is irrelevant to these borrowers as they are desperate to access the capital that they need to either survive or thrive.

What can we do to move forward?

- Ensure that there is **adequate capital available to lend** on to these businesses to become resilient and sustainable during this pandemic – Boroughs and Districts could invest in the main WCC funds for CWRT to on-lend in their respective areas. Note certain parameters/criteria could be set for these areas in order to maximise the impact of the funds made available. If the Borough's and Districts were not to charge CWRT an interest rate to on-lend their monies, then a lower interest rate could be set. A modelling exercise would need to be conducted based on the amount available and the parameters set to determine the most realistic interest rate that could be charged.
- **Dedicated fund for market opportunities for new entrants** – provide access to capital for those individuals looking to start up a business.
- **Borough and District funds** could be used to refinance CWRT's existing borrowers' loans in their respective areas – the figures on the first page indicate the amount of loans we currently have outstanding in these areas. As we have already carried out due diligence with these borrowers, we could streamline the application process and charge a lower interest rate to these customers through the CBIL scheme. This could be an alternative option to save those businesses in the highlighted areas, as well as, minimise any confusion with regards to the main WCC fund interest rates.