

COUNCIL MEETING– 8 FEBRUARY 2022

QUESTIONS FROM MEMBERS OF THE PUBLIC

In accordance with Rule No. 15.1 the following question was submitted to the Council from **Molly Chesney**.

“In June 2015 Newark and Sherwood District Council approved a single loan of £250,000 from the Think BIG loan fund to a local Limited Company; this was the largest loan ever awarded by the fund and appears to account for c.17% of all loans made through the scheme.

The criteria for awarding loans was: *“Gap funding, providing working capital for businesses that demonstrate growth potential and job creation and are unable to obtain the required bank support or other funding.”* By November 2016, the 250,000 loan was deemed by Newark and Sherwood District Council to be “at-risk” as the business had had a difficult trading period. Repayments had stopped but the Council declared we had “a mortgage debenture alongside other funders and we have personal guarantees”.

Sadly, on 12th September 2018 the firm entered administration owing £241,000 to the Council. According to Council papers at the time, *“the offer currently available is to repay £34,000 as a lump sum in final settlement for a £150,000 personal guarantee.”* Adding: *“There is very little equity in the circumstances of the individual and it is important that they can continue to earn, rather than declaring bankruptcy. A compromise solution may be to accept this payment and add in legal conditions surrounding further repayments in future years with an annual review taking place”.*

However, the total capital repaid to Newark and Sherwood District Council still stands at just £43,554 (source, FOI response received 19th January 2022), which suggests that no further payments have been made since the £34,000 offer in September 2018.

Has there been an annual review in the three-plus years since the default of this debt? Did Newark and Sherwood District Council ever discuss whether there was an appropriate time to revisit the guarantees related to this debt - particularly given the promised "legal conditions" secured in 2018?"

Reply from Councillor David J Lloyd – Leader of the Council

“The loan referred to was one of 22 that the Council made to local businesses between 2012 and 2018. It was part of a scheme to assist local businesses who were finding it difficult to access funding from other lenders and was accepted, therefore, to carry an element of risk, as is the case with all loans. The report of Cabinet on 6 September 2012 set expectations of a failure rate of 33% based on previous experience to that point. To date, £1.148 million of the £1.5 million that was loaned has been repaid, with loan payments continuing to be received still now. Therefore, 76% of the loaned value has been repaid with more still to be received. Currently 16.31% of the loaned value has unfortunately been written off. In order to mitigate the anticipated losses, interest and fees were applied to each loan of which the Council has currently receipted £0.243m which almost outweighs the written off amount. In respect of

the specific loan referred to in the question a full and final settlement was reached and authorised by Policy and Finance Committee in June 2019 and as a result, no annual review has been undertaken.”