EXPLANATORY MEMORANDUM TO

THE QUEEN ELIZABETH II CONFERENCE CENTRE TRADING FUND (VARIATION) ORDER 2021

2021 No. 666

1. Introduction

1.1 This explanatory memorandum has been prepared by the Ministry of Housing, Communities and Local Government ("MHCLG") and is laid before Parliament by Command of Her Majesty.

2. Purpose of the instrument

2.1 The purpose of this instrument is to vary the Queen Elizabeth II Conference Centre Trading Fund Order 1997 (S.I. 1997/933) ("the 1997 Order"). The 1997 Order sets out the terms on which the Queen Elizabeth II Conference Centre Trading Fund ("the Fund") can operate; which includes access to financial support from the MHCLG. In the 1997 Order it is only possible to provide an aggregate maximum borrowing of £2 million to the Fund, which includes the total public dividend capital issued to the Fund. The MHCLG would like to increase this aggregate maximum borrowing by a further £10 million to £12 million, enabling the MHCLG to provide any financial support that is needed due to the impact of the current Coronavirus pandemic.

3. Matters of special interest to Parliament

Matters of special interest to the Joint Committee on Statutory Instruments

3.1 None.

Matters relevant to Standing Orders Nos. 83P and 83T of the Standing Orders of the House of Commons relating to Public Business (English Votes for English Laws)

3.2 As the instrument is subject to negative resolution procedure and is not scheduled for debate there are no matters relevant to Standing Orders Nos. 83P and 83T of the Standing Orders of the House of Commons relating to Public Business at this stage.

4. Extent and Territorial Application

4.1 The territorial extent of this instrument is England and Wales.

4.2 The territorial application of this instrument is England only.

5. European Convention on Human Rights

5.1 As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

6. Legislative Context

6.1 The Fund was created pursuant to the Government Trading Funds Act 1973 (as amended) ("The 1973 Act") by the 1997 Order.

6.2 The 1973 Act, at section 2B, restricts how trading funds may borrow monies.

6.3 In accordance with the provisions of section 2C of the 1973 Act, Article 5 of the 1997 Order states that the aggregate amount of (a) the total outstanding at any given time in respect of amounts issued to the Fund under section 2B of the 1973 Act (other than as originating debt), and (b) the total at that time constituting public dividend capital issued to the Fund under section 2A(2A) of the 1973 Act shall not exceed £2 million. The 1997 Order further states that the Fund can only access this financial support from the Office of the Deputy Prime Minister although this power now sits with the Secretary of State for Housing Communities and Local Government as the responsible Minister due to Machinery of Government changes.

6.4 The variation to the 1997 Order by this instrument does not extend or restrict the funded operations of the Fund but merely increases the maximum borrowing.

7. Policy background

What is being done and why?

7.1 The Queen Elizabeth II Conference Centre is the largest dedicated conference, events and exhibition space in central London, providing facilities for over 450 events a year. The Centre was built in 1986 as a secure venue for Government meetings. It became an executive agency in 1989 and in 1997, it received trading fund status. The Centre building was not vested into the Fund and the freehold is retained by the MHCLG.

7.2 The 2019/20 financial year was the Fund's most successful in its 34-year history, with an income of £15.9m and a profit of almost £3m, of which MHCLG received a £1.9m dividend.

7.3 The current Coronavirus pandemic has had a significant impact on the Business Visits and Events sector both nationally and internationally. The Centre will have been closed or under strict restrictions for a minimum of 15 months. This scenario was never anticipated when the Fund was established under the 1997 Order.

7.4 Prior to the current Coronavirus pandemic there were no concerns regarding the Fund's profitability, and it is anticipated that in the long-term business will return to pre-pandemic levels. This assumption is supported by the Department of Digital, Culture, Media and Sports' predictions for the Business Visits and Events sector.

7.5 The Fund has been using its cash reserves to date, as well as a loan of £1,179,000 from MHCLG, which was provided on 31st March 2021. The total £2 million aggregate borrowing that the MHCLG can provide, also needs to take account of the original public dividend capital of £821,000 which the Government invested in the Fund. Therefore, the £2 million maximum aggregate borrowing has now been reached.

7.6 The March 2021 loan and the Fund's cash reserves are anticipated to be exhausted before the business returns to a profitable level. As a Government entity the Fund has not been able to access the financial support that the Government has provided to the private sector. Furthermore, the 1997 Order caps the Fund's borrowing capacity and states any loans must originate from the Secretary of State as responsible Minister.

7.7 It is not anticipated that the Fund will need to borrow the maximum aggregate borrowing of £12 million before it can begin generating a surplus. However, £12 million is the amount of money the Fund spends in a typical financial year and so extending the maximum aggregate borrowing limit to this figure allows the Fund to cover a range of eventualities. Furthermore, the Fund's cash reserves are depleted,

and this allows the MHCLG to support the Fund quickly if other unexpected events occur. In addition, before any loan is given the MHCLG will use and follow internal processes to assess the business case for providing this support.

8. European Union (Withdrawal) Act/Withdrawal of the United Kingdom from the European Union

8.1 This instrument does not relate to withdrawal from the European Union / trigger the statement requirements under the European Union (Withdrawal) Act.

9. Consolidation

9.1 This instrument does not consolidate any legislation.

10. Consultation outcome

10.1 As this Statutory Instrument only relates to the operation of MHCLG's own trading fund there is no need to conduct a consultation. The MHCLG has however spoken to the Department of Digital, Culture, Media and Sport, who lead the Government's policy on Business Visits and Events and Her Majesty's Treasury, who are both supportive of this proposal.

11. Guidance

11.1 No guidance has been produced to accompany this instrument.

12. Impact

12.1 There is no, or no significant, impact on business, charities or voluntary bodies.

12.2 There is no, or no significant, impact on the public sector.

12.3 An Impact Assessment has not been prepared for this instrument because the Statutory Instrument has no significant impact on business, charities, voluntary bodies or the public sector as it only impacts the borrowing capacity of the Fund.

13. Regulating small business

13.1 The legislation does not apply to activities that are undertaken by small businesses.

14. Monitoring & review

14.1 The Fund will report its current financial position through its Annual Accounts which are usually laid in Parliament every July, meaning levels of borrowing and repayments of loans will be monitored annually.

15. Contact

15.1 Alice Stacey, ALB Partnerships Manager - QEII at the Ministry of Housing, Communities and Local Government, telephone: 07741231960 or email: alice.stacey@communities.gov.uk, can be contacted with any queries regarding the instrument.

15.2 Georgina Aplin, Deputy Director for Commercial at the Ministry of Housing, Communities and Local Government can confirm that this Explanatory Memorandum meets the required standard.

15.3 Rt Hon Robert Jenrick MP, Secretary of State for Housing, Communities and Local Government can confirm that this Explanatory Memorandum meets the required standard.