



DERBY CITY COUNCIL

**COUNCIL CABINET**  
**14 JUNE 2005**

Report of the Director of Policy

## **Derbyloans Response to Community Regeneration Commission report**

### **RECOMMENDATION**

- 1.1 To note that we are actively working on matters relating to the recommendation of the Community Regeneration Commission relating to Council support for Derbyloans.
- 1.2 To ask that a full response to the recommendations be brought when investigations into potential funding streams are concluded.

### **SUPPORTING INFORMATION**

- 2.1 In April 2005, Cabinet received a report from the Community Regeneration Commission, outlining its concern that Council support to Derbyloans had, in the Commission's opinion, been inadequate, given the importance of the company in reducing financial exclusion in the city.
- 2.2 Following the report, the Cabinet member for Community Regeneration, and officers from Policy and Finance Directorates, met with the Director of Derbyloans, Andrew Baker, to discuss the company's position and to begin to explore ways in which the Council might offer support. At that time, Mr Baker was unsure of the status of the Council grant to Derby Homes to support a loan fund for Council tenants, and we were able to assure him that this had been agreed and that immediate payment could be made.
- 2.3 Mr Baker outlined the goals, achievements and financial position of the company.
- 2.4 We explained that the Council is not in a position to provide a grant to Derbyloans, as all its grant aid for 2005/06 had now been allocated. The company could apply for a grant from the Community Grants Budget - CGB - for next year, but we made the same point as is made to all potential applicants, that the fund is limited and always heavily over-subscribed.

- 2.5 We discussed the possibility of the Council providing a loan to the organisation or security for a loan from an established lending institution. This course of action would not be outside the Council's legal powers. However, any such action could only be taken after a thorough examination of the company's financial position. There are also many aspects involved in assessing the level of risk to the Council. For these reasons, officers from the Finance Directorate have had subsequent meetings with Mr Baker, and are investigating all the considerations relating to the provision of a loan or of security. The conclusion of these investigations will be brought to Cabinet in due course. Mr Baker has assured us that this matter is not immediately urgent, and he recognises the need for us to have the time to consider it thoroughly.
- 2.6 Two potential major sources of external funding were also discussed. The first is the Local Enterprise Growth Initiative - LEGI. This is a fund created by the government to support business growth in deprived areas. It will be allocated on a competitive bidding basis to 36 of the 88 Neighbourhood Renewal Fund areas. The bidding timetable has not yet been announced, as consultation about the initiative has not yet closed. The process of managing a bid for Derby will be led by the Council, on behalf of Derby City Partnership, in the context of the Local Area Agreement – a successful LEGI bid could mean between £2 to £5 million for the city, and would be seen by the government as the basis of a fourth LAA block. Potentially, a successful bid may be able to provide funding for loans for business start ups and social enterprises. Derby City Partnership will decide on the content of the Derby bid to LEGI.
- 2.7 The second potential source of external funding for the company is the one identified by the Commission in its report, the Treasury's Financial Inclusion Fund. There has not been any further announcement about the size and scope of the fund, or the timetable for bidding, at the time of writing. However, we are working to lead a partnership process to consider Derby's priorities for a bid. The bid could include support for debt advice, credit unions, or community based finance institutions such as Derbyloans.
- 2.8 Because of the timescales involved, we cannot report further on these potential funding avenues, but will do so when there is anything of substance to report in relation to Derbyloans financial position.

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<b>Background papers:</b>	None
<b>List of appendices:</b>	Appendix 1 – Implications

<b>IMPLICATIONS</b>
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**Financial**

1. The Council has provided £15,000 a year Housing Revenue Account grant to Derby Homes for the next three years, for a loan fund for Council tenants administered by Derbyloans.

**Legal**

2. None.

**Personnel**

3. None.

**Equalities impact**

4. Derbyloans carries out equalities monitoring of its loan recipients. The company's objectives are to help financially excluded people obtain affordable credit for personal or business purposes.

**Corporate objectives and priorities**

5. The proposal comes under the Council's objectives of **a shared commitment to regenerating our communities** and **a prosperous, vibrant and successful economy**.