



DERBY CITY COUNCIL

COMMUNITY SERVICES, REGENERATION AND E-GOVERNMENT CABINET MEMBER MEETING 10 JANUARY 2006

Report of the Community Regeneration Commission

Community Based Finance Institutions - Derbyloans

RECOMMENDATION

- 1 To advise Council Cabinet that the Commission a) i) welcomes the update report on developments relating to Council support for Derbyloans and ii) specifically welcomes the prospect, in the near future, of a positive recommendation being presented to Cabinet on the matter of making an assessed, prudential loan to Derbyloans, b)i) in addition to Council support, the private and public sectors should be strongly encouraged to financially back Derbyloans' development and ii) Derby City Partnership should help facilitate support from its member bodies *plus* the External Funding Unit should help Derbyloans to pro-actively seek other locally available funding sources and c) a Cabinet representative be invited to provide a further update to the Commission in six months time.

[Councillor Smalley registered his dissent from this report]

REASONS FOR RECOMMENDATION

- 2.1 Regarding a) in July 2002 the Commission embarked with an open mind on a review as to the potential merits of a community bank for Derby. The evidence-based outcome was 'Report 1362: Community Based Finance Institutions' which identified that a substantial number of people in Derby were financially excluded and that a community bank was needed to tackle it. It also advised that "the City Council and other partners should anticipate a need to contribute for a minimum range of 7 to 10 years". That was principally because the expansion of the loan book through prudential lending would be demanding of staff time.
- 2.2 The Commission has in subsequent representations to Cabinet stated that the continued making of personal loans by Derbyloans to customers should not be prevented because of insufficient loan funds. The making of a Council loan was one of several routes suggested by the Commission to assist Derbyloans. It was explained in the update report at the Commission's 25 October meeting that legal issues concerning European Union rules on state aid are delaying a specific report being brought to Cabinet.

- 2.2 Regarding b) 'Report 1362' had expressly said that, having identified the need for a community bank to tackle widespread financial exclusion, public and private sector partner bodies should support its development. That was envisaged as a variety of: share purchase, personal donations, organisational grant aid and aid-in-kind. Whilst no update was specifically received at the 25 October meeting on this issue, the Commission has on previous occasions considered that the assistance actually given to Derbyloans been disappointing and Members therefore wish to reiterate that Derbyloans should be considered as a laudable, civic project meriting support. Recommendation b)ii) offers two methods to help achieve that support – though these are not exhaustive. Firstly, using the DCP member decision making structures to raise Derbyloans' profile and, secondly, making further use of the good offices of the External Funding Unit.

SUPPORTING INFORMATION

- 3 The Community Regeneration Commission had resolved to improve its tracking of Council Cabinet action plans on previous topic reviews by having an annual progress report to the October meeting of the Commission.

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Background papers: None
List of appendices: Appendix 1 to this covering report – Implications

IMPLICATIONS

Financial

- 1.1 Direct: With regard to part a) of the recommendation: This Commission has consistently supported a prudential approach to the development of Derbyloans. Prior to commercial activities commencing the original topic review recommended that: "To minimise bad debts the CBFi should avoid prioritising the expansion of the loan book over commercially sound sanctioning decisions". The Commission's recommendation in today's report maintains that prudence and confidence that any Council Cabinet loan will be assessed and shall prove to make commercial sense. With regard to part b) of the recommendation there are no financial consequences for the City Council.
- 1.2 Indirect: The activity of Derbyloans has a beneficial impact by alleviating pressures on Council and other public services/funds. For example, a small loan to buy work clothes or tools can be the bridge enabling a long term unemployed person to take work. One affordable loan can replace several expensive loans from money lenders, leaving more disposable income and avoiding rent arrears developing. That can later avoid fostering fees needing to be paid should children become looked after by Social Services following eviction.

Legal

- 2 Presently the legality of the Council providing a loan is being explored by the Legal Division in relation to European Union rules about State Aid.

Personnel

- 3 None directly arising.

Equalities impact

- 4 Derbyloans and the city-wide credit union tackle the financial exclusion faced by the substantial portion of the population without access to mainstream banking services.

Corporate Objectives, Values and Priorities

- 5.1 This report relates to the Council's **objectives** of promoting healthy, safe and independent communities *and* a shared commitment to regenerating our communities.
- 5.2 The issue impacts on the Council **priority** to minimise increases in Council Tax and increasing value for money from our services.
- 5.3 The issue connects with our **values** of developing partnerships with all stakeholders, especially Derby's residents *and* to adopt new ways of working wherever these will help us to do things better and provide value for money, customer focussed services.