

DERBY LOANS LIMITED

Report of the Director of Derby Homes

SUMMARY OF REPORT

1. This report seeks members view on continued support to Derby Loans which will offer financial services to financially excluded people.

RECOMMENDATIONS

2. That the Committee comment on
 - (a) commuting the remainder of Derby Homes contribution in kind in 2002/3 into cash and
 - (b) future investment by Derby Homes in Derby Loans Limited.

MATTER FOR CONSIDERATION

- 3.1 At its March 2002 meeting, the Board agreed to act as host organisation and make a contribution in kind of £10,000 towards Derby Loans.
- 3.2 The project intends to act as intermediary lending institution which among other things can provide a range of loans accessible to people who may otherwise be excluded from them, such as Derby Homes' customers.
- 3.3 As host organisation, Derby Homes has
 - acted as the secretariat for the project
 - supported development activity in Derby
 - managed the seconded Project Manager
 - assisted the Steering Group to raise funds and promote the project.
- 3.4 Derby Homes agreed contribution in kind consisting of the following services equivalent to £10,000 per annum
 - accommodation costs (rent, heat, lighting)
 - running costs (telephones, leased equipment)
 - support services (administration, postage)
 - project management (financial accounting, supervision of Project Manager).

- 3.5 Derby Loans is now entering the next phase of its development, when it wishes to set up as an organisation able to deliver services. As part of this development, it has secured premises in the Rosehill area with effect from December 2002. The continuation of support by Derby Homes through a contribution in kind cannot therefore be maintained since such a contribution is dependent on the project occupying Derby Homes' premises.
- 3.6 To date, Derby Homes' contribution in kind has been equivalent to £5,000. In view of the impending move of the project to alternative premises, members are asked to consider a request from Derby Loans that Derby Homes commutes the remaining £5,000 contribution from an in-kind contribution to a cash payment.
- 3.7 In addition, Derby Loans is inviting interested parties to invest in shares. Derby Loans is constituted as an Industrial and Provident Society with arrangements to enable shareholders to withdraw their shares upon six months notice. If Derby Homes were to invest it would assist the provision of working capital to the company. The value of any such investment would appear on the Derby Homes Balance Sheet. If Derby Loans successfully meets the objectives of its business plan, the value of this investment will be sustained, although the company is not intending to pay dividends. Members views are sought on this matter and it is suggested that if members wish to pursue the matter, legal and financial advice will be taken and reported back in due course.

CONSULTATION IMPLICATIONS

4. Derby Loans and Derby City Council's Chief Executive's Policy Directorate have been consulted on this report.

FINANCIAL IMPLICATIONS

- 5.1 The contribution in kind has been made from within existing resources. If commuted into a cash payment of £5,000 this would have to be met from any surplus in the Derby Homes Fee.
- 5.2 If members wish to explore the proposal to invest in Derby Loans, advice will be taken on the most beneficial way to do so. For example, taking into account that this may qualify for the new Community Tax Credit.

LEGAL AND CONFIDENTIALITY IMPLICATIONS

- 6.1 The existing support is consistent with the Derby Homes Memorandum and Articles.
- 6.2 If members wish to explore the proposal to invest in Derby Loans, advice will be taken on the legal implications of any such investment.

PERSONNEL IMPLICATIONS

7. None.

ENVIRONMENTAL IMPLICATIONS

8. Derby Loans will offer local access and reduce journeys required to access financial products and services.

EQUALITIES IMPLICATIONS

9. Derby Loans will develop products that will particularly assist disadvantaged groups who experience financial exclusion such as black and minority ethnic residents and sick and disabled persons.

Contact Officer

John Bloxsom, Business Development Manager, Telephone 01332 711012
Email john.bloxsom@derby.gov.uk