

ROTHERHAM BOROUGH COUNCIL – REPORT TO CABINET

1. Meeting:	Cabinet
2. Date:	23 February 2011
3. Title:	Continuation of the provision of loans to residents experiencing financial difficulty as a result of the economic downturn
4. Directorate:	Financial Services

5. Summary

This report asks Cabinet to agree a one year extension to the scheme currently being operated through the credit unions for the provision of loans to residents experiencing financial difficulty as a result of the economic downturn.

Since the scheme commenced, 123 families have been helped, including 98 where the funding has assisted in avoiding homelessness and has saved the Council over £500,000 in estimated homelessness costs

An original decision by Cabinet made the funding available for two years, until 31 March 2011, following which time it would be paid back to the Council, less any bad debts. As the level of bad debts is lower than the Council originally provided for, the scheme could be extended for a further year without exceeding the Council's original cost estimate.

Both LASER and Rothersave credit unions are moving to more visible premises in the town centre. LASER's move has been supported through Local Area Agreement Reward Grant funding. Rothersave has recently made a request for a small amount of support and, if Members agree, a contribution could be made from funding approved for credit crunch purposes.

Both credit unions would also welcome the Council's support through continuing to jointly promote the loan schemes.

6. Recommendations

Cabinet is asked:

- **To approve the extension of the credit crunch loans scheme by one year, to 31 March 2012**
- **To agree to making a contribution of £1,000 to the cost of Rothersave moving to more visible premises**
- **To support proposals for providing joint publicity with the credit unions on the support being provided by the Council.**

7. Proposals and Details

7.1 Credit Crunch loan schemes

At its meeting on 11 February 2009, Cabinet agreed to make available £250,000 to residents of Rotherham who had been disadvantaged by the economic downturn. This was part of a wide package of support for local residents and businesses, It was made available through Rothersave and LASER credit unions, which also meant that the credit unions would be supported by helping them to increase their membership.

The funding was to provide small loans to assist people at risk of losing their homes through a 'Rent-in-Advance' scheme, or to assist residents facing other significant financial difficulties.

The scheme has been a substantial success and a significant part of the Council's support to residents during the economic downturn.

Since the scheme began, 98 families have been given a rent-in-advance loan to help them move into rented accommodation. If these families had become homeless, the cost to the Council in homelessness costs would have exceeded £500,000. These cases also helped the Housing Solutions Team to achieve the target of reducing the use of temporary accommodation by 50%, in accordance with a Government target.

The scheme has also helped 25 residents experiencing other financial difficulties, such as significant debt / bills that, left unsettled, could have led to escalating actions being taken by creditors.

The original decision by Cabinet made the funding available for two years, until 31 March 2011, following which time it would be paid back to the Council, less any bad debts. At the time, the Council anticipated a bad debt level of up to £35,000 over the period of the scheme. It is currently estimated that bad debts will be not exceed £20,000 by 31 March 2011. On this basis, the scheme could be extended for a further year without exceeding the Council's original cost estimate.

The Credit Crunch Partners' Group recognises that the benefits derived from the scheme (assisting residents in need, preventing homelessness) will be lost if the scheme ceases as planned in March 2011. **This report, therefore, asks Cabinet to agree a one year extension to the scheme.**

7.2 Re-location of Credit Unions

Both LASER and Rothersave credit unions are moving to more visible premises in the town centre. LASER's move has been supported by £20,000 of funding from the Local Area Agreement Reward Grant received in 2010.

Rothersave has recently made a request for support for its move. It has identified costs of £1,651 and would welcome a contribution of £1,000 towards these costs. No further funding exists within the LAA grant, and Rothersave's requirements do not meet the criteria for any current town centre related grant schemes. If Members

agree, a contribution could be made from funding approved for credit crunch purposes.

Both credit unions are keen to promote their activities and regard the move to new premises as an opportunity to highlight their services, including the schemes that are provided through them by the Council. They have asked to Council to assist by jointly publicising and promoting the schemes.

Cabinet is asked:

- **To agree to making a contribution of £1,000 to the cost of Rothersave moving to more visible premises**
- **To support proposals for providing joint publicity with the credit unions on the support being provided by the Council.**

8. Finance

Financial information is provided in the detailed report above. It is expected that any cost of extending the loan scheme by a further year could be accommodated within the original estimate of (bad debt) costs provided for the scheme.

A small amount of funding is available from the Credit Crunch budget set up by the Council originally in 2009/10. This could be used to provide a grant of £1,000 to Rothersave, to assist with its move to new premises.

9. Risks and Uncertainties

The following risks have been identified should the continuation of the scheme not be agreed:

- NI 156 Temporary Accommodation targets not being met
- An increase in the number of homeless cases
- Increased hardship experienced by individuals and families
- Increased costs borne by other agencies, including social services, in terms of crisis intervention.

10. Policy and Performance Agenda Implications

Tackling the economic downturn and the impact of it is consistent with a range of priorities within the Community Plan and Rotherham MBC's Corporate Plan.

A scheme to assist residents to move into rented accommodation helps the Council achieve housing and homelessness prevention targets.

The initiative also assists Rotherham's Financial Inclusion Strategy by increasing access to advice, affordable credit and financial capability guidance and support, particularly to those who are most vulnerable through partnership working.

11. Background Papers and Consultation

Cabinet Report, 17 December 2008
Cabinet Report, 11 February 2009.

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