

Name of decision maker:	Andrew Williams
Portfolio:	Leader of the Council
Date of Portfolio Holder Decision: 1 March 2010	

Title of Decision:
To agree the allocation of £47,500 to Dacorum First Credit Union to administer the grant – Repossession Prevention Fund from Communities and Local Government.

Decision made and reasons:
DFCU, a non-profit making organisation, has been operating in Dacorum for several years and is an ideal partner to manage the Fund on behalf of the local authority. It is authorised and regulated by the Financial Services Authority (FSA), it has the experience of managing similar grants, knowledge of the local community and a number of premises in the area to support and increase its membership through a savings ethos.

Reports considered:

- Background report.
- Service Level Agreement (SLA)
- Communities and Local Government (CLG) Guidance Repossession Prevention Fund.

Officers/Councillors/Ward Councillors/Stakeholders Consulted:
Karen Tarbox – Head of Communities, Customers and Housing
Nazma Abdul-Karim – Senior Manager Housing Options
Gerri Dobson – Herts Savers Credit Union
Charles Bullen – Dacorum First Credit Union Ltd, Board Member
Mike Barry – Dacorum First Credit Union Ltd, Board Member
Sally Taylor – Dacorum First Credit Union Ltd, Board Member

Dacorum Economic Steering Group

Monitoring Officer/Chief Financial Officer Comments:

Monitoring Officer :

The Council's well-being powers under section 2 of the Local Government Act 2000 allow the Council to enter into arrangements with any external organisation provided that the Council is satisfied that it is for the economic, social or environmental benefit of the area or persons living within it.

Chief Financial Officer

It should be ensured that the “2,375 is funded from the Homelessness Grant 2009/10. Stringent budgetary control should ensure this takes place.

It should be ensured that the £47,500 has been appropriately recorded in the Council's financial accounts and is utilised so the allocation, in this amount, is made to Dacorum First Credit Union.

Options Considered and reasons for rejection:
The Council has considered managing the Fund within the Housing Options Service by directly offering small loans to families and vulnerable households at risk of losing their home. This will require stringent compliance with financial and legal regulations as set out by

the Financial Services Authority. The cost of administrating the Fund internally by approving financial agreements, raising invoices and the associated recovery and staff resource could be greater than commissioning DFCU to carry out this function.

Portfolio Holders Signature:

Date:

Details of any interests declared and any dispensations given by the Standards Committee:

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Date Decision Record Sheet received from portfolio holder: 24 February 2010

Date Decision Published: 1 March 2010 Decision No: PH/013/10

Date of Expiry of Call-In Period: 8 March 2010

Date any Call-In received or decision implemented:

BACKGROUND

In June 2009, Dacorum Borough Council received an allocation for £47,500 Repossession Prevention Fund from Communities and Local Government. The amount of grant varied across the country according to the size of each borough or district but essentially the Fund would enable all local authorities to extend small loans to families at risk of homelessness through repossession or eviction.

The Guidance issued by Communities and Local Government (CLG) is attached and sets out in detail the aim of the Fund and provides examples on how local authorities may wish to administer it and what the Fund may cover. However this is not an exhaustive list and the funding is not ring fenced although it is important to ensure that it supports the maximum number of households in need of financial assistance.

By working in partnership with Dacorum First Credit Union (DFCU), this would enable the Council to meet its responsibility within the CLG guidance and at the same time promote the use of the organisation that supports local people in 'controlling their fiscal destiny' and one that demonstrates benefits for the wider community.

The organisation helps its members to save regularly and offers loans at a low interest rate of 1% per month on the reducing balance (12.68% APR) after a new member has been a saver for eight weeks. It is a saving and lending co-operative, owned by its members and run by local volunteers who serve people who live or work in the Borough. All profits are returned to the DFCU which in turn are given back to its members. It is authorised and regulated by the Financial Services Authority (FSA).

DFCU has several advice and collection points in Hemel Hempstead which supports ease of access for our customers and their ability to pay in cash, as well as by Standing Order, through direct payments from Payroll and Internet banking. It has also secured an additional advice and collection point in 'Horizons', which is central location in the Town Centre.

A draft Service Level Agreement confirms that £2,375 (5% of the £47,500) will be charged by DFCU for general administration costs for lending and for the recovery of these loans as these will be interest free. This administrative cost will be paid from the Homelessness Grant 2009/2010 in order that the full £47,500 is available for local people.

The Guidance states that interest free loans will be made available as follows,

- (a) Homeowners with a level of arrears that allows the lender to start repossession proceedings. A loan would be made to reduce them to a level acceptable to allow the homeowner to remain in the property. The homeowner would need to have acted upon money advice and is able to meet any existing or newly negotiated monthly payments.
- (b) Homeowners with second charges on the property for security. The debt would be negotiated with the lender to write down the debt allowing the homeowner to remain in the property by serving the principle mortgage. The homeowner would need to have acted upon money advice and is able to meet any existing or newly negotiated monthly payments.
- (c) Tenants in rent arrears due to income shocks as a result of loss of earnings, or reduced hours, and where there is no previous history of significant rent arrears. A loan would be made to reduce the arrears the household may have been unaware of entitlement to housing benefit support and back payment of a legitimate claim may not be possible.
- (b) A Tenant or Homeowner where the household is due to be imminently evicted or repossessed. The household may then be given a 'last chance', by their landlord or lender, after the direct intervention of the Housing Options Team, and the Tenant/Homeowner agrees to keep to a repayment schedule. Either a loan is given or a guarantee up to a capped amount to allow the household to remain in situ.

It is agreed that the Housing Options Service will be the sole referral point to ensure that all potential candidates are assessed, financial statement completed and the full range of housing options explored to ensure that the threat of repossession is preventable. DFCU will provide quarterly reports, detailing the value of current loans, case information, recovery rate and the amount available in the Fund. All repaid loans will be reinvested into the Fund so that new loans can then be made available to more local people under the threat of repossession.

The Council has considered managing the Fund within the Housing Options Service by directly offering small loans to families and vulnerable households. This will require stringent compliance with financial and legal regulations as set out by the Financial Services Authority. The recovery of these loans through its Customer Account Service is not a viable option, given that it will cost approximately £15.00 (incl VAT) to raise an invoice plus additional associated costs to recover non-payment of debt.

