

COMMITTEE:	CABINET
DATE:	1 JULY 2002
SUBJECT:	SRB ROUND 6: FUNDING FOR CREDIT UNION PROJECT
REPORT OF:	DIRECTOR OF FINANCE AND CORPORATE SERVICES
Ward(s):	All
Purpose:	To seek agreement to providing quarterly grant payments for this project by way of loans from council funds in advance of reimbursement from SEEDA.
Contact:	Sue McHugh, Director of Finance and Corporate Services telephone 01323 415104 or internally on extension 5104.
Recommendations:	The Cabinet is asked to
	<ul style="list-style-type: none"> · Agree to provide cash flow loans to the Credit Union SRB project to meet funding shortfalls pending receipt of grants from SEEDA, on the basis that the regulatory regime for Credit Unions puts exceptional constraints on their ability to borrow.
	<ul style="list-style-type: none"> · Consider whether to delegate decisions on similar loans to the Director of Finance and Corporate Services in consultation with the lead Cabinet Member for Finance.

1.0	<u>Introduction</u>	
1.1	In August 2000 The South East England Development Agency (SEEDA) awarded Eastbourne Reborn £5 million in the Single Regeneration Budget (SRB) Round 6. Eastbourne Borough Council is the accountable body and is responsible for the proper management of and accounting for the funds. This role is exercised by the Planning, Regeneration and Amenities Department in respect of the management of the scheme and by the Finance and Corporate Services Department in respect of financial accountability.	
1.2	The scheme is made up of 20 projects, each managed by a project officer. The project officers for the Hub Capital Scheme and for the Community Chest Revenue Scheme are within Eastbourne Borough Council. For all the other schemes the project officers are from other public, private and voluntary sector organisations.	
2.0	<u>Funding Process</u>	
2.1	Eastbourne Borough Council as the accountable body is required to submit grant claims covering all approved schemes to SEEDA quarterly in arrears. These claims include both financial and performance information provided by project officers. Once SEEDA have checked and approved these claims they transfer funds to Eastbourne Borough Council for onward transmission to project officers. The timetable for submission and approval of claims means that expenditure is reimbursed up to five months in arrears. For example the April – June claim is likely to be reimbursed in late August.	
2.2	This arrangement does cause cash flow problems for projects, particularly for smaller organisations. The Council's general expectation has been that projects will obtain loan finance where necessary to bridge the gap between expenditure and reimbursement.	
3.	<u>The Credit Union Project</u>	
3.1	The objective of the Credit Union project is to set up an Eastbourne Community Credit Union to provide accessible low cost loans, savings and other financial services where they are most needed.	

3.2	Credit Unions are regulated by the Financial Services Authority and the Association of British Credit Unions Limited and are not permitted to borrow to fund their activities. For this reason, the Credit Union Project is currently managed by the Eastbourne Citizens Advice Bureau, which provides cash flow support. However, there is general agreement that it would be preferable for the Credit Union to operate independently and the provision of cash flow loans by Eastbourne Borough Council would enable this to happen. The loans would initially be for the full quarterly claim of £12,925, however, the amounts would reduce as the Credit Union built up its own funds.							
3.3	The SRB funding profile for the Credit Union project over the life of the scheme is as follows:-							
	2001-2	2002-3				2003-4	2004-5	
		Quarter 1	Quarter 2	Quarter 3	Quarter 4			
	16,759	12,925	12,925	12,925	12,924	52,020	29,522	
4.	<u>Council Powers to Provide Cash Flow Loans</u>							
4.1	Cabinet on 19 th March 2001 considered a report on the problems caused by the SRB funding arrangements. Cabinet at that time agreed on an exceptional basis to provide a short term loan to one project organisation to alleviate the hardship it was experiencing. Cabinet also agreed that any further request should be reported to Cabinet for consideration.							
4.2	Eastbourne Borough Council does have the power to make loans to organisations in order to promote economic, social and environmental well-being under section 2 of the Local Government Act 2000. The Council's Head of Legal and Property Services advises that loans to support cash flow requirements of SRB projects would fall within this power.							
4.3	Making loans to SRB Projects does involve some risk for the Council. In the event that either Eastbourne Borough Council as accountable body or SEEDA rejected a project's claim and refused to reimburse it, the Council would be left trying to recover the loan from the project organisation. Experience to date is that there is considerable dialogue between Eastbourne Borough Council finance staff and project officers before claims are submitted to SEEDA. There have so far been no instances of expenditure being rejected by SEEDA.							

4.4	If the Council were to agree to provide cash flow loans to all SRB projects, this would require loans of approximately £155,000 at any time, with a loss of interest to the Council of approximately £9,000 per year. The loss of interest could be recovered from SEEDA as a cost of management and administration of the scheme.	
4.5	In view of the risks to Eastbourne Borough Council of providing widespread loans, it is suggested that these continue to be available in exceptional circumstances only. Cabinet may wish to consider delegating future decisions to the Director of Finance and Corporate Services in consultation with the Cabinet Lead Member for Finance.	
5.0	<u>Consultations</u>	
5.1	The proposal to provide cash flow loans to the Credit Union Project has been discussed between officers within Finance and Corporate Services and Planning, Regeneration and Amenities. It has also been discussed with the Credit Union project representatives.	
6.0	<u>Implications</u>	
6.1	Finance and legal implications are contained within the body of the report.	
7.0	<u>Summary</u>	
7.1	Members are asked to provide the assistance set out in this report.	
<p>Sue McHugh</p> <p>Director of Finance and Corporate Services</p>		
<p>Background Papers:</p> <p>The Background Papers used in compiling this report were as follows:</p> <p>Cabinet Report – SRB Round 6 – 19th March 2001. Report of the Head of Community and Economic Development.</p>		

OpenlinkCFO/SRB Round 6 Funding for Credit Union Project 020701.	
--	--