

**REPORT TO:** POLICY AND RESOURCES COMMITTEE - 28 APRIL 2008

**REPORT ON:** DEVELOPMENT OF A COMMUNITY DEVELOPMENT FINANCE INSTITUTION IN DUNDEE

**REPORT BY:** DEPUTE CHIEF EXECUTIVE (FINANCE) AND ASSISTANT CHIEF EXECUTIVE (COMMUNITY PLANNING)

**REPORT NO:** 251-2008

## **1.0 PURPOSE OF REPORT**

- 1.1 This report seeks the Committee's approval to develop a Community Development Financial Institution (CDFI) for Dundee City.

## **2.0 RECOMMENDATIONS**

- 2.1 It is recommended that the Policy & Resources Committee agrees to the development and implementation of a CDFI for Dundee City, subject to the successful outcome of the joint bid by the Dundee Partnership and Scotcash (Glasgow) CIC to the Department of Work and Pensions' Growth Fund.
- 2.2 It is recommended that the Policy & Resources Committee approve the allocation of £240,000 from the Council's General Fund balances to be the City Council's contribution to the development and implementation of a CDFI in Dundee, subject to a successful outcome of the bid to the DWP Growth Fund.

## **3.0 FINANCIAL IMPLICATIONS**

- 3.1 The total estimated long term costs for the development and implementation of a CDFI in Dundee City is £1.05 million. The Dundee Partnership and Scotcash (Glasgow) have made a joint bid for £469,000 to the Department of Works & Pensions Growth Fund. If this bid is successful then the balance of long term funding of £536,000 will be met through contributions from the Scottish Government, Dundee Partnership and external sources, including trust funds.
- 3.2 Dundee City Council's contribution to the development and implementation of CDFI in Dundee will be £240,000 and this one-off funding will be met from the 2007/08 grant for financial inclusion and employability.

## **4.0 MAIN TEXT**

- 4.1 The Dundee Partnership's Financial Inclusion strategy has been in place for the last two years. A part of the strategy is the development of a CDFI - Community Development Finance Institution - which the Community Development Finance Association (CDFA) defines as - *"a new financial tool for social, economic and physical renewal in under-invested communities. They lend and invest in deprived areas and underserved markets that cannot access mainstream finance. They are sustainable, independent organisations that provide financial services with two aims: to generate social and financial returns."*
- 4.2 A business plan produced by the Dundee Partnership in November 2007 reported that, given the levels of deprivation in the city and dependence on high cost home credit market, a CDFI service could offer an effective challenge to financial exclusion in Dundee. While the scale of Dundee makes a sustainable, independent CDFI unlikely, expanding the Glasgow CDFI - Scotcash - to Dundee was recommended as a viable alternative.

- 4.3 The Financial Inclusion Taskforce - part of HM Treasury, commissioned research into affordable lending coverage in Britain. Its report - *"Towards a step-change in 3rd sector lending coverage and capacity"* showed Dundee as being a Red Alert area, ranking it 7th in its need for additional affordable lending, from a UK wide survey of 1000 LA wards. This research is powerful independent evidence for submitting a tender bid to DWP Growth Fund seeking investment to support a Dundee CDFI. The submission date for a bid to DWP Growth Fund is 12 May 2008, and it is proposed to submit the bid if the Committee approve this report.
- 4.4 The Dundee Scotcash project will be a wholly owned subsidiary of Scotcash (Glasgow) but with a local Board of Directors with agreed autonomy. With locally employed and managed staff, in a city centre location, it is anticipated that the CDFI will become operational by March 2009.
- 4.5 The development of a CDFI will add to the range of affordable lending providers in Dundee, and will complement the services provided by the Discovery Credit Unions. The characteristics of a CDFI customer are different from a typical credit union customer - CDFI customers are likely to be unemployed without any savings and living in social rented housing. Credit union members are more likely to be employed owner occupiers who save regularly.
- 4.6 The Scotcash (Glasgow) CIC model is made up of a number of financial inclusion components - affordable lending, secure savings accounts, access to bank accounts and money advice. As it does not offer savings accounts directly there is an opportunity for Discovery Credit Union to partner with any such development and be the savings provider. This will act to support the growth of Discovery Credit Union.
- 4.7 A key element of the CDFI service will be the provision of money advice to any clients who visit the organisation.
- 4.8 The Business Plan for the development of a Dundee CDFI has identified the following projected and estimated benefits over the next 10 years:

£2.4m	interest alone saved by borrowers
7800	personal loans issued
£5m	advanced in small sum personal loans
1000	linked savings accounts will be opened
2000	clients seen by a money adviser
£6m	of client debt will be identified
£1.2m	of client financial gain will be secured
1500	basic bank accounts will be opened

If the above projected benefits are delivered during the next 10 years, then this project will have made considerable progress in addressing financial inclusion within the City.

## 5.0 POLICY IMPLICATIONS

- 5.1 This Report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management.
- 5.2 The major issue identified is the close relationship between the Council's anti-poverty targets and the development of a CDFI.

## **6.0 CONSULTATIONS**

The Chief Executive, Depute Chief Executive (Support Services) and Head of Finance have been consulted on the contents of this report.

## **7.0 BACKGROUND PAPERS**

None

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**DEPUTE CHIEF EXECUTIVE (FINANCE)**

**DATE 18 APRIL 2008**

**CHRIS WARD**  
**ASSISTANT CHIEF EXECUTIVE (COMMUNITY PLANNING)**

**DATE 18 APRIL 2008**