



**REPORTS FOR DECISION BY THE
CABINET MEMBER FOR COMMUNITY SERVICES**

Date Issued: **08 October 2009**

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A Record of Decision will be issued following the conclusion of 5 clear working days from the date of issue of the Report

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MAIDSTONE BOROUGH COUNCIL

CABINET MEMBER FOR COMMUNITY SERVICES

REPORT OF DIRECTOR OF RESOURCES AND PARTNERSHIPS

Report prepared by: Zena Cooke

Date Issued: 8 October 2009

1. EQUITY RELEASE

1.1 Issue for Decision

1.1.1 Cabinet are asked to endorse the council's involvement and participation in a national pilot supported by Joseph Rowntree Foundation, to improve the financial circumstances and quality of life of older homeowners in receipt of state benefits.

1.2 Recommendation of Director of Resources and Partnerships

It is recommended that:

1.2.1 The council becomes one of four local authorities to pilot a service developed in conjunction with the Joseph Rowntree Foundation to offer older home owners financial advice and access to an exclusive equity release product.

1.2.2 The pilot period commences from October/November 2009 for an 18 month period.

1.3 Reasons for Recommendation

1.3.1 Maidstone has moderately high property prices while also having some areas of social deprivation. Many households are considered to have low incomes yet be living in properties of relatively high asset value. Access to financial advice and the use of equity release would enable such households to release equity from their homes to fund a range of services such as support in the home, service charges and repairs.

1.3.2 By participating in the pilot, the council would be supporting the corporate objective of improving the quality of life of older homeowners by enabling them to fund services that they wish to purchase through the equity release scheme giving them the potential to maintain their independence and thereby enabling them to stay in their own homes for longer.

1.4 Background

- 1.4.1 In 2007, Joseph Rowntree Foundation was commissioned by the Department of Health to investigate the obstacles to equity release for older home owners. The outcome of the research was that Equity Release has a poor reputation, that it is perceived to be poor value and that it can result in a loss of benefits. A task group was set up to develop a suitable financial product and explore methods of improving the perceptions of equity release. The task group included representatives from the public and voluntary sectors, including the Department for Work and Pensions, local authorities, Age Concern and Care and Counsel.
- 1.4.2 The task group identified that existing equity release products were not suitable for those older homeowners in receipt of state benefits, as they require a minimum amount of £10,000 to be taken. This level of equity release would result in the individual losing their entitlement to state benefit (specifically pension credit) and as a result, being financially worse off.
- 1.4.3 As a result the task group produced a specification setting out the type of equity release product that would be tailored to meet the needs of those older homeowners who required a lower level of additional income to improve their quality of life and help to maintain their independence, but without losing their benefit entitlement.
- 1.4.4 The specification was sent to all equity release providers and one provider, "Just Retirement" responded positively. "Just Retirement" agreed to participate in the proposed pilot and provide independent financial advice and access to the Equity Release product that had been produced exclusively for the pilot.

1.5 Pilot project proposal

- 1.5.1 The pilot project will develop a framework to support older home owners to consider releasing equity to fund support at home and other services and signpost them to the provider for this pilot project. The financial product has already been developed exclusively for this pilot. The project will also consider the role of the council in supporting residents through the process and protecting them from financial abuse.
- 1.5.2 The council will not be providing the financial advice or the financial product. The role of the council and its partners will be to identify residents that are likely to benefit from releasing equity from their properties with a view to funding services that will enable them to maintain their independence. Key staff, including staff from other agencies and the voluntary sector, will be able to signpost older home

owners to Just Retirement Solutions for an independent financial assessment. This service will guide residents through an assessment of their income and eligibility for further benefits. The outcome of the assessment may be to recommend the equity release product to which the pilot relates.

- 1.5.3 The project will also include the development of a marketing strategy and training framework for internal staff, partners and voluntary organisations. The project approach, particularly in relation to marketing of the service/product, will be finalised and agreed with partners and the voluntary sector.
- 1.5.4 The project will be subject to review through regular meetings, internally and with partners to ensure that key deliverables and milestones are being met.
- 1.5.5 Communications will be a key part of the project and information will be widely disseminated to all stakeholders, including through the Older People's Forum.

1.6 Alternative Action and why not Recommended

- 1.6.1 The council could choose not to participate in the pilot project, but this would result in a missed opportunity to improve the financial circumstances and quality of life of older homeowners on low incomes.

1.7 Impact on Corporate Objectives

- 1.7.1 The opportunity to participate in this national pilot, supports the council's corporate priorities in relation to the health and well-being agenda, specifically in relation to older people.

1.8 Risk Management

- 1.8.1 The potential risk with the pilot, is the reputational implication for the council and its partners of being "linked" to Equity Release. This risk will be mitigated through the design of the process that will clearly separate the signposting function of the council/partners from the fully regulated independent financial advice and product service.

1.9

Other

- 1. Financial
- 2 Staffing
- 3 Legal
- 4 Equality Impact Needs Assessment
- 5 Environmental/Sustainable Development
- 6 Community Safety
- 7 Human Rights Act
- 8 Procurement
- 9 Asset Management

X
X

1.9.1 Financial/Staffing

The financial advice and product will be supplied by a fully regulated independent organization, at no cost to the council. The indirect cost to the council will be staff time for training and the development of marketing material.

1.9.2 Equality Impact assessment

This project is designed to enable older home owners to participate in daily activities through being able to fund services that will enable them to maintain their independence and quality of life. The project aims to consider the needs of all groups, within the qualifying age remit.

NO REPORT WILL BE ACCEPTED WITHOUT THIS BOX BEING COMPLETED

Is this a Key Decision? Yes No

If yes, when did it appear in the Forward Plan? _____

Is this an Urgent Key Decision? Yes No

Reason for Urgency

How to Comment

Should you have any comments on the issue that is being considered please contact either the relevant Officer or the Member of the Executive who will be taking the decision.

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Agenda Item 2

MAIDSTONE BOROUGH COUNCIL

CABINET MEMBER FOR COMMUNITY SERVICES

REPORT OF DIRECTOR OF RESOURCES & PARTNERSHIPS

Report prepared by Paul Taylor
Date Issued: 8TH October 2009

1. KENT CREDIT UNION

1.1 Issue for Decision

1.1.1 To consider formal support from the council including a financial contribution of £10,000 over two years.

1.2 Recommendation of Director of Resources & Partnerships

1.2.1 That the Cabinet Member for Community Services formally supports the Kent Credit Union including a total financial contribution from the council of £10,000 over 2 years.

1.3 Reasons for Recommendation

1.3.1 A Credit Union is a savings and loans co-operative which promotes financial inclusion by encouraging its members to save money and by providing low cost loans – including to those who find it difficult to borrow from mainstream sources.

1.3.2 Credit Unions are authorised and regulated by the Financial Services Authority and all individual investments are 100% guaranteed by the Financial Services Compensation Scheme (up to £50K).

1.3.3 Kent County Council is proposing the establishment of a county wide Kent Credit Union (including Medway) through a charitable company.

1.3.4 The Kent Credit Union will offer a range of savings products, including instant access and longer term bond accounts. Four different types of loans will be available for a range of circumstances with the credit union lending to people out of work and homeowners. It is also hoped that a bill payment service will be offered working closely with money advice agencies. It will focus on supporting those who find it difficult to access mainstream financial services working through local champions and trusted intermediaries in the county's most deprived neighbourhoods.

- 1.3.5 The Kent Credit Union will be an independent legal entity *Kent & Medway Financial Inclusion Partnership Ltd*. This company will be applying to the FSA for authorisation and is being supported by KCC during its development phase working with a steering group of supporters and other interested parties which includes district councils, registered social landlords and the advice sector.
- 1.3.6 Since 2002 the council has been a partner with Maidstone Housing Trust and Hyde Housing and the Kent Reliance Building Society (KRBS) in a Savings and Loans Partnership scheme targeted at their social housing tenants in the borough. This scheme involved the council as a sleeping partner investing £10,000 as a loans deposit guarantee. However the scheme was not taken up by Housing Trust tenants in any significant numbers, for a variety of reasons including lack of tenant awareness and tenant difficulties in accessing the financial services. KRBS therefore took the decision to close it in 2008 and to return the council's deposit. It is proposed that this returned sum be reallocated as the council's contribution to the Kent Credit Union. Maidstone Housing Trust has committed to invest £10,000 in the Credit Union. Measures designed to promote the scheme and improve financial accessibility include use of the internet and Pay Point, a money advice service and work in local schools. The Kent Credit Union's services are outlined in 1.3.11 below.
- 1.3.7 *What does this mean for the borough of Maidstone?*
- 1.3.8 In 2006 the Financial Inclusion Action Group for the South East reported that Kent is the biggest example of an area of high financial exclusion with very low provision of community finance.
- 1.3.9 Though the Borough as a whole shares the relative prosperity of the South East there exist persistent pockets of deprivation within it. The national Index of Multiple Deprivation in its last update (December 2007) showed areas of the High St Ward where average income ranged from the lowest 2.6% to the lowest 16.9% nationally, areas of Park Wood where income levels ranged from the lowest 14-15% nationally and areas of Shepway where the corresponding figure was 16.4%-18.5%. A Credit Union is designed in part to support and develop residents whose current income and/or debt levels may not make them attractive to traditional banks, and who are the most vulnerable to loan sharking.

1.3.10 The latest Maidstone Citizen's Advice Bureau figures show their debt work increasing by 56% in the first third of 2009 in comparison with the same period for 2008. In the first quarter of 2009, their money advisors have dealt with £3.6 million of indebtedness which is an increase of a third over the same period for 2008. While a Credit Union cannot in itself reduce individuals' debts, it has a clear role in providing access to an account which permits people the opportunity to make savings and to subsequently take out loans in circumstances where a traditional bank would not be able or willing to help, and it has an important role in providing budget and money management advice to accompany this facility.

1.3.11 How will it work?

1.3.12 At the outset, the Kent Credit Union will employ professional, paid staff to offer a range of services across the county by working with existing organisations.

1.3.13 Services will include:-

- Affordable loans based on ability to repay
- Flexible savings in cash, direct debit and automatic deduction from wages and benefits
- Life insurance as a standard membership benefit
- Budgeting and money management advice
- A bill payment service
- Junior savers working in partnership with local schools
- Ability to apply for a loan and check your balance via the internet
- Pay Point
- Many options for cash withdrawals and payments throughout the county.

1.3.14 The Credit Union will supply a breakdown of take up across the borough in order for the Council to monitor effectiveness.

1.4 Alternative Action and why not Recommended

1.4.1 The council could choose not to support the Kent Credit Union. However, the council would not have the resources to provide the type of financial support the Credit Union has the capacity to provide for the borough's residents.

1.5 Impact on Corporate Objectives

1.5.1 This initiative supports the council’s key priorities, “creating a place to achieve, prosper and thrive,” and a place “that has strong communities”. A cross-cutting objective is to “reduce inequalities within the borough”. A specific objective is to “manage the impact of the credit crunch and economic downturn to ensure that “help is available to those affected by the downturn”. Investing in the Credit Union supports all of these objectives.

1.6 Risk Management

1.6.1 Credit Union deposits are covered by the Financial Services Compensation Scheme which protects all individual shareholdings up to the value of £50,000 (although the maximum deposit in a credit union for an individual is currently £10,000). Corporate deposits are not covered in the same way, but individual agreements can be negotiated.

1.6.2 There are no financial risks to the Borough Council. The Credit Union will be a completely separate organisation and the council will not be involved in underwriting and risks associated with financial or any other failure of the organisation.

1.7 Other Implications

1.7.1

1.	Financial	X
2.	Staffing	
3.	Legal	
4.	Equality Impact Needs Assessment	
5.	Environmental/Sustainable Development	
6.	Community Safety	
7.	Human Rights Act	
8.	Procurement	
9.	Asset Management	

1.7.2 Financial – in round figures the development costs for the Credit Union are made up of three elements:-

1. Set up costs of £100,000
2. 5 year running costs of £500,000
3. Money for the loan fund (private/individual investors and some incentive sums from supporting agencies)

1.7.3 Kent County Council has committed £250,000 and a further £80,000 has been committed by Registered Social Landlords. District Councils are being asked to contribute £10,000 each over two years.

1.7.4 The model of financial projections produced by KCC and included in their draft outline business case published in December 2008 presumes financial self sustainability at the end of year 5.

1.8 Conclusions

1.8.1 Credit Unions successfully operate in other areas of Britain and the business case KCC have produced is based on the experience of existing successful ones from across the country.

1.8.2 There has probably never been a more appropriate time to establish one in Kent and Maidstone should be a priority for this service if it is established.

1.8.3 There are potential benefits to Maidstone in terms of the provision of public services and the resources allocated to supporting people because of bad debt, poor advice from lenders, mental health implications and family breakdown.

1.9 Background Documents

None.

NO REPORT WILL BE ACCEPTED WITHOUT THIS BOX BEING COMPLETED

Is this a Key Decision? Yes No

If yes, when did it appear in the Forward Plan? _____

Is this an Urgent Key Decision? Yes No

Reason for Urgency

[State why the decision is urgent and cannot wait until the next issue of the forward plan.]

How to Comment

Should you have any comments on the issue that is being considered please contact either the relevant Officer or the Member of the Executive who will be taking the decision.

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