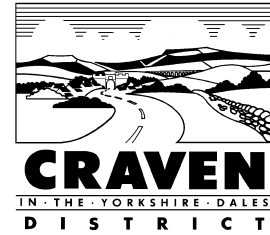


## Policy Committee – 21 July 2015

# LEEDS CREDIT UNION PARTNERSHIP ARRANGEMENT 2015-18



Report of the Chief Executive

Ward(s) affected: ALL

- 1 **Purpose of Report** – To seek approval to work in partnership with Leeds Credit Union.
- 2 **Recommendations** – Members are recommended to:
  - 2.1 Approve the proposal to work in partnership with Leeds Credit Union to offer and promote their services to Craven residents and people who work in Craven.
  - 2.2 Approve a supplementary estimate of £10,000 per annum for three years 2015/16 to 2017/18 to cover the financial costs for promotion and delivery to be funded from the Enabling Efficiencies Reserve.
- 3 **Introduction**
  - 3.1 Credit Unions are member-owned financial co-operatives, which are democratically controlled. They are operated for the purposes of promoting thrift, providing credit at competitive rates, using members' savings for their mutual benefit, and training and educating members in the wise use of money and in the management of their affairs<sup>1</sup>.
  - 3.2 Nationally around 7 million people fall into the trap of high-cost credit, with some being charged more than 6,000% in interest on short term loans from high interest lenders or loan sharks. Credit Unions offer an alternative to vulnerable people who have few options to access cash when they need it most.
  - 3.3 Relative to the national average Craven is a prosperous area ranking 241 out of England's 326 Local Authorities (where 1 is the most deprived). However there are pockets of deprivation with the south Skipton wards of Greatwood and Horse Close ranked within the top 20% most deprived in England.

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<sup>1</sup>Credit Union guiding principles, the 'objects' set out in the Credit Union Act 1979.

- 3.4 Universal Credit (UC) was rolled out into Craven on 16 February 2015. UC is a single payment of benefits (including Housing Benefit) payable to a household each month direct into a bank or building society account, or an account with an alternative provider like a credit union. To date there have been 30 UC claimants however, this is set to increase significantly when the categories of qualifying claimants widens. One of the biggest behavioural changes required will be around the way that people receiving universal credit will be responsible for paying their rent rather than payment being made direct to the landlord.
- 3.5 In Craven there are 2,253 low-income households currently receiving Housing Benefit and 2,900 households in receipt of Council Tax Reduction.
- 3.6 Credit Unions are seen as important partners in helping local authorities to promote social & financial inclusion and support communities to access services.

#### **4 Process of selection**

- 4.1 Following the liquidation of the North Yorkshire Credit Union on 1st November 2012 there has been no credit union service within Craven. Initially a sub-regional approach was explored however this was not successful due to lack of funding and ability to reach an agreement to satisfy varied priorities and resources of North Yorkshire local authorities. Hence each local authority has pursued its own local solution.
- 4.2 Yorkshire Housing and Harrogate Borough Council have chosen Leeds Credit Union (LCU) as their credit union partner following a selection process. Expressions of interest were invited and options appraisal carried out. Craven District Council were invited by Yorkshire Housing to shadow their interview process and Harrogate Borough Council have shared their rationale for selecting Leeds Credit Union. See Appendix A – Harrogate Rationale for Selection of LCU
- 4.3 Initial meetings with the Leeds Credit Union have taken place to establish LCU's proposed approach to delivery in Craven taking into account the district profile and the resources available.
- 4.4 Leeds Credit Union have sought approval from their Board to increase their "Common Bond" (dictates the operating parameters of a credit union) to cover the whole of Craven pending a decision from Members.

#### **5 Leeds Credit Union Offer**

- 5.1 Leeds Credit Union offer access to all LCU accounts and services for Craven residents and people who work in Craven including "jam jar" accounts which help households to manage monthly income to pay agreed bills including rent, utilities, insurance etc.

See Appendix B: Leeds Credit Union accounts and costs

5.2 Leeds Credit Union will support the delivery of the Developing Credit Union Services Action Plan through provision of marketing material, advice and training. The action plan covers the following areas to promote services by:

- Developing relationships and business “out and about” Craven including:
  - Registered providers /landlords
  - Residents Groups
  - South Skipton partnership
  - Craven District Council teams – Revenues and Benefit/Housing
  - Children’s Centres
- Recruiting volunteer “Champions” within organisations, voluntary groups and the community
- Working with Finance teams of major employers to promote payroll deductions to Leeds Credit Union account
- Publishing regular Press releases and make use of existing communication networks
- Working with schools (Primary & secondary) to promote Young Saver accounts

See Appendix C – Developing Credit Union Services Action Plan

5.3 Leeds Credit Union are committed to providing relationship management time to develop a service within Craven, provide staff/champion training, senior management time for periodic reviews and promotional resources.

## **6 Craven District Council proposal**

6.1 We seek approval to enter into a partnership arrangement with Leeds Credit Union to enable Craven residents and people who work in Craven to access credit union services.

6.2 By selecting Leeds Credit Union as credit union partners we shall build upon existing partnership arrangements with Yorkshire Housing and take up joint working opportunities to promote LCU to all residents of Craven.

6.3 We seek approval to commission a part-time Development Worker (1 day per week @ 0.2fte) to promote the service over a 3 year period commencing 2015/16. Postholder responsibilities would include the “take-up” of savings and loan accounts from a reliable client base and then moving on to raising the credit union profile, recruiting members in Skipton South and engaging community champions. Over the period “take-up” activity would reduce and be replaced with delivery activity (surgeries and account support) as service demand increased.

6.4 We seek approval to provide a marketing budget for promotional materials and initiatives to increase “take-up” of savings and loan accounts.

## **7 Implications**

### 7.1 Financial Implications

Revenue costs required to promote and deliver Leeds Credit Union services in Craven have been costed @ £10,000 per annum for 3 years commencing 2015/16. It is proposed that £30,000 be set aside within the Enabling Efficiencies Reserve to fund the Council's costs.

### 7.2 Legal Implications

The relationship with Leeds Credit Union will not be a formal partnership. All activity relating to financial matters will be under the control of LCU therefore limiting the risk to the Council to the extent of officer and marketing resource commitment.

### 7.3 Contribution to Corporate Priorities

**Working with Communities** – Supporting local citizens to become more actively involved in their communities, improving the opportunities available to residents of Greatwood and Horse Close, South Skipton and increasing partner and community involvement in service delivery.

The Development Worker will target “take-up” in South Skipton and encourage individuals from the community, voluntary and community sector and support services in Craven to become Champions for Leeds Credit Union.

**Financial Resilience** – the introduction of credit union services will potentially contribute to the prevention of indebtedness of households. This reduction in debt may include debt to the Council for Council Tax for example. A reduction in indebtedness would reduce the pressure on the Council's revenue collection and advice services and levels of debt the Council has to write off.

### 7.4 Risk Management –

- a) To approve the partnership presents no significant risks to the Council
- b) Not to approve the partnership would not present a significant risk to the Council.

### 7.5 Equality Impact Assessment –

The Council's Equality Impact Assessment Procedure **has been** followed and an Equality Analysis Form has been completed. **Stage 1- Initial Screening** of the Procedure identified that the proposed partnership working arrangement **does not have** the potential to cause negative impact or discriminate against different groups in the community based on •age • disability •gender • race/ethnicity • religion or religious belief (faith) •sexual orientation, or • rural isolation.

This approval request relates to approval for a partnership arrangement to improve access for all Craven residents and people who work in Craven to an alternative financial service. By targeting the deprived areas of Craven we will be seeking to support the most financially excluded households in our community.

**8 Consultations with Others**

Harrogate Borough Council - Benefits Services Manager  
Leeds Credit Union – Chief Executive and Deputy Chief Executive

**9 Access to Information : Background Documents**

Equalities Impact Analysis Form

**7. Author of the Report**

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**8. Appendices**

Appendix A – Harrogate Rationale for Selection of LCU  
Appendix B – Leeds Credit Union accounts and costs  
Appendix C – Developing Credit Union Services Action Plan

### Harrogate Borough Council Rationale for selection of Leeds Credit Union (Extract from report of the Benefit Services Manager to Leader Meeting/Management Board/ Cabinet

- 5.6 The introduction of a credit union presence will take a substantial amount of development work partly because credit unions are not perceived in the same way as mainstream banking options and partly due to the failure of the North Yorkshire Credit Union (NYCU). There has been detailed work to identify the financial position of LCU to seek assurance the issues of the failed NYCU will not be experienced in the future.
- 5.7 LCU have demonstrated evidence of being well run and having effective financial controls in place. They have full membership of relevant financial authorities to ensure they are run in accordance with the regulatory framework and membership investments are protected.
- 5.8 LCU have an ethical approach to lending within the application process ensuring there is affordability prior to making loans available. This approach will exclude some from accessing services however they have set up a commercial sister company whose their rates are slightly higher than those of the LCU but do provide a cheaper alternative to the high-street lenders.
- 5.9 LCU are committed to working with the Council and other organisations to develop a local support framework for debt and financial management acting as a referral agent to service provision already in place e.g. by the CAB and HBC's Benefits Services and Housing teams.
- 5.10 To supplement the financial support they are able to offer members can also benefit from their relationship with the Co-Op to access white goods at prices lower than can be found on the high street.
- 5.11 The introduction of a credit union is not the only answer to improve financial inclusion and its services are not right for everyone, particularly with the charges for use of basic banking services. For some this is a cost worth paying; some estimates report that it costs people up to 20% more to live due to poor money management and budget accounts are more effective. The Council is continuing to work to identify a range of options for accessing financial services
- 5.12 **Customer Access**
- LCU have developed a range of ways to access their services across the full spectrum of media services. They have web transactionality to apply for services and view account information which includes support for using mobile devices, email, telephone, post and face-to-face facilities. Services are largely on a cashless basis making use of electronic funds transfer and cash facilities at ATM's, cash back in shops and paypoint locations.
- 5.13 Face-to-faces service can take a variety of formats from mediated support LCU staff in HBC offices to local community facilities. Service points would be cashless and present no additional security risks.

### Summary of Leeds Credit Union accounts provided and associated costs and interest rates

Account	Fees / Charges
<p><b>Bill Paying “Jam Jar” / Budget Account</b></p> <p>Account must receive a monthly deposit, funds are separated to ensure bills are paid before releasing money for personal expenditure loaded onto a pre-paid Visa card</p>	<p>£2 per month</p>
<p><b>Pre-paid Visa Card</b></p> <p>These cards mean cashless operation of services with instant access to own finances</p>	<p>£3.50 one off payment for the card            £0.50 cash loading fee            £0.75 cash withdrawal fee at an ATM but free if use cash back in a shop</p>
<p><b>Current Account</b></p> <p>Basic current account underwritten by Co-op bank and provides ATM or Visa Debit card. Allows standing orders and direct debits to be paid</p>	<p>£3.25 per month            Further charges apply if make more than 10 transactions in a month</p>
<p><b>Membership Account</b></p> <p>Instant access savings account with minimum monthly deposit to encourage regular savings</p>	<p>No charge but must maintain a minimum balance of £5</p>
<p><b>Regular Savings</b></p> <p>For savers who do not require frequent access to savings (6 withdrawals per year)</p>	<p>No charge but must open with minimum £20 deposit and save £20 per month</p>
<p><b>Loyalty Saver Account</b></p> <p>Designed for long term savings with only one withdrawal per year allowed</p>	<p>No charge but must open with minimum £100 and maintain this balance up to a maximum of £85k</p>
<p><b>Christmas Club Saver</b></p> <p>Withdrawals can only be made between 1<sup>st</sup> November and 24<sup>th</sup> December</p>	<p>No charge            No minimum balance and savings method is flexible</p>
<p><b>Loans £250 to £15,000</b></p> <p>Based on affordability to repay</p>	<p>Current rate 26.8% APR            Rates are capped by Credit Union legislation so will always be competitive.</p>

## APPENDIX C – DEVELOPING CREDIT UNION SERVICES ACTION PLAN

The activities detailed below would be delivered over a 3 year period commencing with activity relating to the take-up of savings and loan accounts from a reliable client base moving to developing activity in Skipton South and engaging community champions to help raise the credit union profile and recruit members. Over the period take-up activity would reduce and be replaced with delivery activity as service demand increased.

Priority	Activity	Outcomes
1	<p>Introduce workplace savings and low-cost “payday” loans for Craven District Council and other large employers. Activity would include;</p> <ul style="list-style-type: none"> <li>• Process set-up and training for payroll</li> <li>• Workplace sign-up events</li> <li>• Communication of service provision</li> </ul>	<ul style="list-style-type: none"> <li>• Immediate build of a relatively secure client base</li> <li>• Provision of a regular and stable income stream</li> <li>• Opportunity to develop service champions to recommend credit union services</li> </ul>
2	<p>Targeted take-up campaigns within areas most affected by reforms and tied in with the South Skipton Project</p> <ul style="list-style-type: none"> <li>• Local publicity</li> <li>• Sign-up events in local community centre/Children’s Centres</li> <li>• Recruitment and engagement of community champions</li> </ul>	<ul style="list-style-type: none"> <li>• Services implemented where needed most</li> <li>• Reduced reliance on high-interest loan providers</li> <li>• Develop community-based approach to access services</li> </ul>
3	<p>Establish partnership with Craven District Council Revenues &amp; Benefit and Housing teams. Activities to include ;</p> <ul style="list-style-type: none"> <li>• Integrate credit union services as part of Welfare Reform Support Worker project and emerging Local Services Support Agreement</li> <li>• Provide promotion material and articles for Welfare Reform Task Group member organisations (registered providers)</li> </ul>	<ul style="list-style-type: none"> <li>• Increased financial literacy to prevent arrears/debt</li> <li>• Services developed alongside digital inclusion work to improve IT literacy</li> <li>• Help residents maintain homes</li> <li>• Improve tenant/landlord relationships</li> </ul>
4	<p>Establish partnership with Yorkshire Housing – to work collaboratively to promote the Leeds Credit Union to all residents of Craven – taking up opportunities for joint working and avoiding duplication of effort</p>	<ul style="list-style-type: none"> <li>• Increased effectiveness of promotion of the Leeds Credit Union</li> </ul>
5	<p>Establish partnership working with external debt advice and support services including CAB, Citizens Against Poverty and use of on line Money Advice Service</p>	<ul style="list-style-type: none"> <li>• Increased financial literacy to prevent arrears/debt</li> <li>• Services developed alongside digital inclusion work to improve IT literacy</li> <li>• Work with new members to improve money management and promote other associated service offerings</li> </ul>
6	<p>Assist customers to access service by:</p> <ul style="list-style-type: none"> <li>• Promotion of “ease of access” at public access centres (Libraries, CDC Offices, Children’s Centres etc)</li> <li>• Promotion at events and surgery sign-up days</li> <li>• Targeted marketing campaigns</li> </ul>	<ul style="list-style-type: none"> <li>• Increased take-up and improved offering for local residents in response to welfare reforms and prevention of debt problems</li> </ul>
7	<p>Take-up campaign for local schools to introduce young-saver accounts. Activities to include:</p> <ul style="list-style-type: none"> <li>• Promotion of service and money awareness in children</li> <li>• Recruitment of community champions to take responsibility for collection</li> </ul>	<ul style="list-style-type: none"> <li>• Create a savings culture in young people that will progress in their futures</li> <li>• Instil awareness of the value of monetary issues from a young age</li> <li>• Will help to create relationships with schools for promotion of other services</li> </ul>