

Cabinet Member for Community Development

30th January, 2018

Name of Cabinet Member:

Cabinet Member for Community Development – Councillor Linda Bigham

Director Approving Submission of the report:

Deputy Chief Executive (People)

Ward(s) affected:

All

Title:

Coventry and District Credit Union - Grant Aid Agreement Year 3 Progress Report

Is this a key decision?

No - Although the matter within the report can affect all wards in the City, it is not anticipated that the impact will be significant and it is therefore not deemed to be a key decision.

Executive Summary:

Coventry and District Credit Union (CDCU) Limited signed a 3 year Grant Aid Agreement with Coventry City Council on 15th September, 2014. The purpose of the grant was to support and enhance the provision of credit union services to Coventry residents. The period of the grant aid agreement has now come to an end and grant funding has ceased.

The Council supported CDCU to provide a sustainable and effective alternative to the high interest borrowing typical of pay day loan companies. More generally credit unions provide an ethical and community-based approach to personal finance which, it is hoped, will benefit residents and the city over the longer term.

The objective of the three year grant was to enable CDCU to build their business and loan book in order to generate increased revenue, thus facilitating long term sustainability. This grant enabled CDCU to operate in an office at 144 Walsgrave Road, Coventry. Prior to this the credit union did not have a commercial property from which to operate.

Following the conclusion of the Council grant, CDCU have returned to operating a more community based service and have relocated to Holbrooks.

Recommendations:

The Cabinet Member for Community Development is asked to:

1. Endorse the progress made by Coventry and District Credit Union Limited during the third year of the Grant Aid Agreement.

List of Appendices included:

None

Other useful background papers:

Grant Aid Agreement Ref: L/AP/5500-516 dated 15th September, 2015.

Grant Aid Agreement Ref: RSN-16813 dated 23rd November, 2015

Has it been or will it be considered by Scrutiny?

No

Has it been or will it be considered by any other Council Committee, Advisory Panel or other body?

No:

Will this report go to Council?

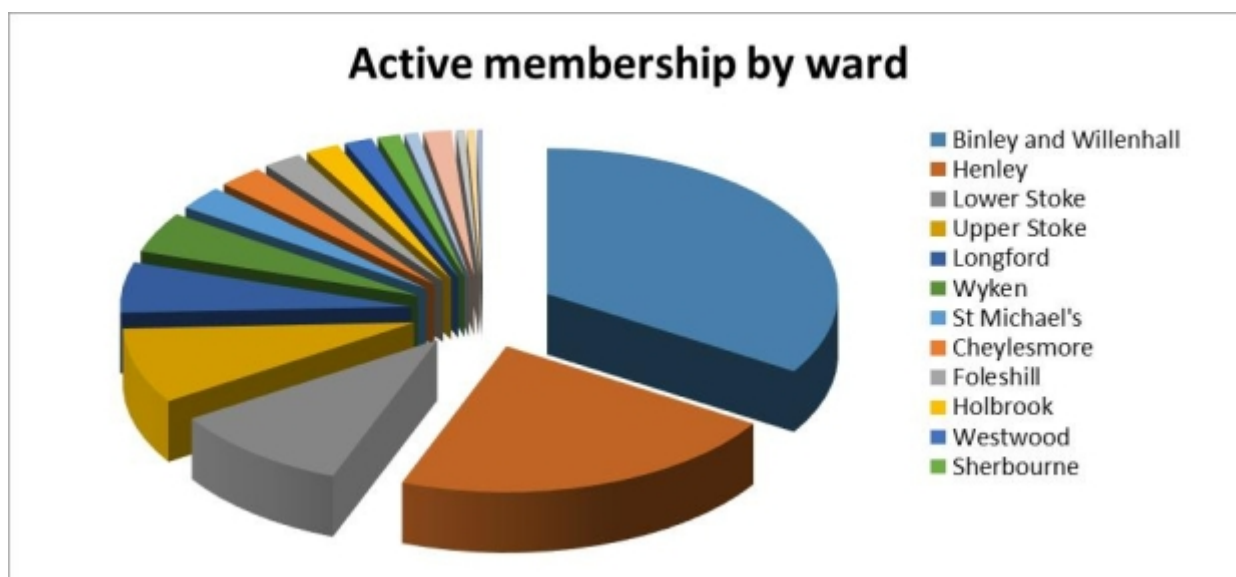
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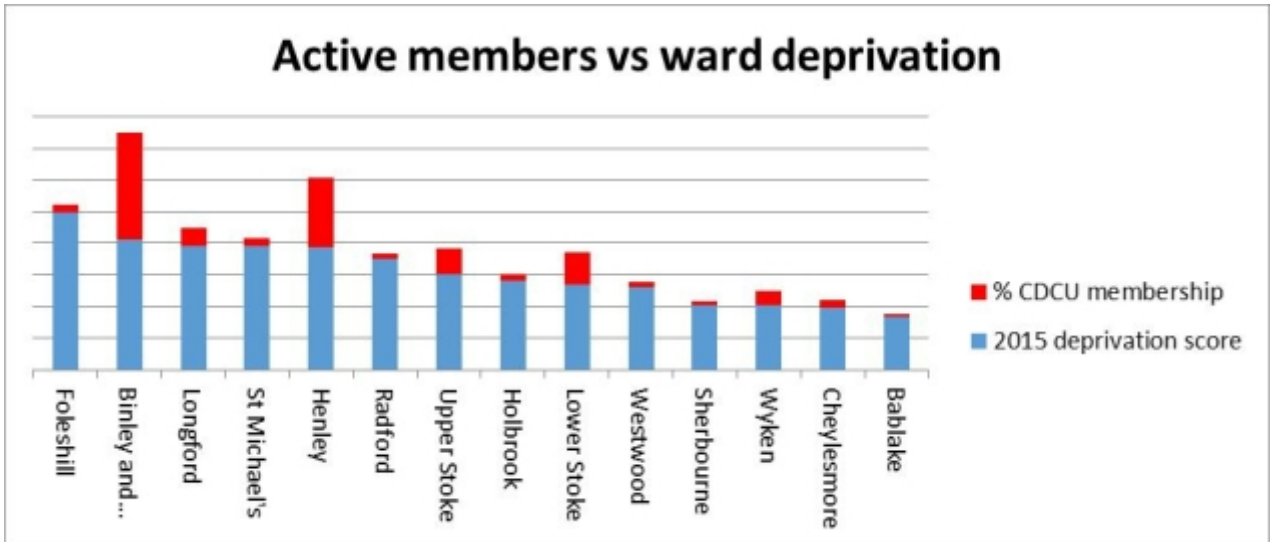
1. Background

- 1.1. With the residual impacts of the last recession and on-going cuts to welfare spending, more and more people are turning to so called pay day loans. The Council supported credit unions to provide a sustainable and effective alternative to the high interest borrowing typical of pay day loan companies. More generally, credit unions provide an ethical and community-based approach to personal finance which, it is hoped, will benefit residents and the city over the longer term.
- 1.2. Coventry and District Credit Union Limited received a Council grant on 15th September, 2015, towards rent, rates, IT costs and general overheads relating to the premises at 144 Walsgrave Road, Coventry. The purpose of the grant was to support and enhance the provision of credit union services to Coventry residents.

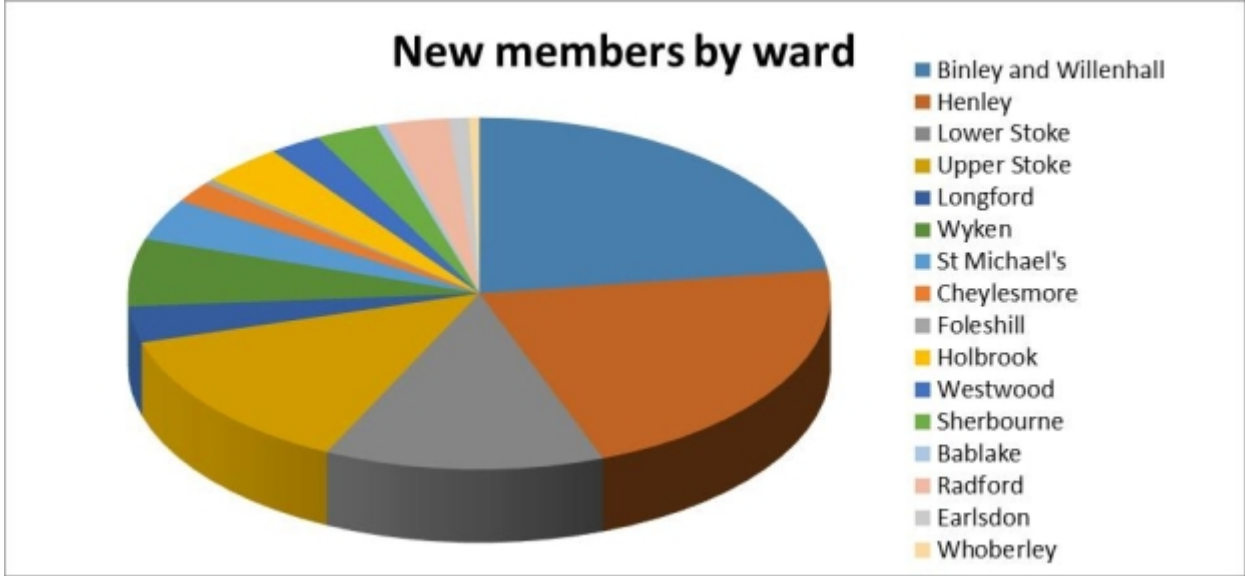
2. Members and service profile

- 2.1. The credit union currently has 1059 members. The common bond qualification for membership is an individual or corporate body who/which resides or is employed in the locality of Coventry. There has been 6% increase in 'active' membership over the last year.
- 2.2. The majority of members (76%) live in Coventry neighbourhoods that are amongst the most 10% deprived of neighbourhoods in England – whereas only 19% of the total population of Coventry live in these neighbourhoods. Coventry and District Credit Union members live disproportionately in deprived areas.





Historically, membership has been predominantly in the Binley and Willenhall areas of the city as this was where the Credit Union was originally based. However, an analysis of new members in the past 12 months shows that the Credit Union is extending its reach into Henley and Stoke, both through outreach work and their previous presence on Walsgrave Road. Membership is also being increased in Holbrooks following the launch of two new outreach services.



Outreach work remains a priority for the Credit Union, with their presence in Wood End, Willenhall, and Stoke Aldermoor well established, and new outreaches now launched at the HCCA and John Shelton Primary School in Holbrooks, and at Bell Green Library. Successful school banks are now well established in both Binley and Wood End with plans to extend into secondary schools.

The Credit Union also works with Coventry South Churches to provide support and services to looked after children and ex-offenders.

3. Products and services for the financially excluded and vulnerable households

3.1. There are still an estimated 9000 households in Coventry who do not have bank accounts and the majority of Coventry and District Credit Union members are financially vulnerable.

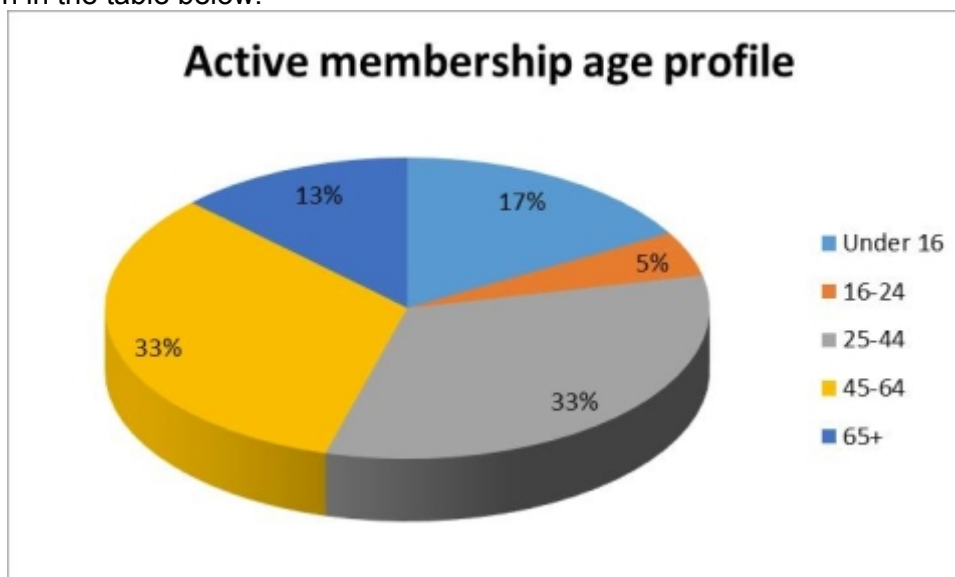
- 3.2. Coventry and District Credit Union has been assisting financially excluded members directly through its core services of savings/budget accounts and affordable loans. Free life insurance is included with all savings accounts, subject to conditions.
- 3.3. The Manager of Coventry and District Credit Union was previously seconded to Wood End Advice Services to work on the development and implementation of the Coventry Independent Advice Services and has recently been elected to their Board.
- 3.4. The following products and services have been developed/started, as an immediate response to assist the financially excluded:
- **Budget Accounts** - rent collection for private/social landlords; landlords will no longer be able to receive rent payments direct to them. The Universal Credit will see households receiving all benefits in one payment including housing benefit.
 - **Council Tax Collection** – The Credit Union has secured additional funding from the Council to encourage people to open and make council tax payments from a credit union account. This helps to increase the credit union’s membership whilst reducing the number of people making cash payments at Council facilities.
 - **Engage Prepaid card** - a prepaid VISA card for benefits/salaries to be loaded on to. The card can be used at ATMs, any point of purchase, online, to get cash back, it also offers cash back rewards, when used in designated shops. The card is a new product for Coventry and District Credit Union and could not have been delivered from their previous premises. The product is live and has been the subject of a marketing campaign in 2016.
 - **Work closely with partners** Coventry Independent Advice Services and the Church of England, where the Credit Union can refer members in financial difficulty for budgeting advice. Work is also ongoing with Coventry University and their advice team.
 - **Work with schools** – school banks are run in both Binley and Wood End. Wood End is newly established in 2016. 28% of new members since the beginning of the grant are under 16 highlighting the strength of the outreach work with school banks. The Credit Union is keen to establish a school bank in a secondary school and has had preliminary talks with a potential school.
 - **Junior smart cash cards** – the Credit Union is currently in the process of launching this service to junior members in conjunction with Engage. Over 14s will have access to a prepaid debit card, subject to conditions.
 - **Working jointly with National Trading Standard Illegal Money Lending Team** to promote both credit unions in the city and for people to open a credit union account.
 - **Outreach work** – outreaches are established in the Willenhall, Wood End and Stoke Aldermoor areas and new outreaches have recently been launched in Holbrooks and Bell Green. The Credit Union partners with Coventry South Churches in proposed working with looked after children and ex-offenders, as well as in re-establishing an outreach in the Cheylesmore area.
 - **Budgeting courses** – Holbrooks Community Centre Association have approached the Credit Union with regard to taking part in a project aimed at disenfranchised youth with a view to delivering budgeting courses and volunteering opportunities

within the Credit Union. Budgeting courses have also been run for a variety of audiences, including single parents, low-income families, those in debt and staff members from the Independent Advice Centres.

- 3.5. The credit union will continue to assist those affected by the welfare changes and it is seen as a real opportunity to promote credit union services to ensure financial inclusion is extended to all, whilst increasing membership. The credit union will continue to work with partner organisations whose clients will be affected and will flex services and products as appropriate.
- 3.6. Coventry and District Credit Union has been attending the Coventry Partnership Financial Inclusion Forum to seek out more opportunities to work together.

4. Performance Report

- 4.1. **Membership** - This has increased by 6% since October 2016. Membership has increased by 20% since the beginning of the council grant. The age profile of its membership is shown in the table below.



- 4.2. **Lending and Savings** – This has remained steady; the share to loan ratio is around 60%. The recommended ratio by ABCUL is 70%, which means there is still some capital to lend to borrowers.
- 4.3. **Forecasts** –Year 3 forecast have been achieved for membership and saving targets, but as outlined above some work needs to be undertaken improve the share to loan ratio. In the current economic climate, there has been a reduced appetite of members for borrowing, combined with more stringent checks on affordability by the credit union in order to prevent members from overstretching themselves. New loan rates were introduced part way through 2015/16 which have had a full year effect in 2016/17.

5. Other Achievements

- 5.1. The credit union, having only one full-time employee, is reliant on its volunteers to run its operations. Currently there are 16 volunteers supporting the credit union, a mix of students, members out of work and seeking employment and retired volunteers helping on everyday basis. The credit union has always supported volunteers looking for new skills to get into employment. Students and members seeking employment have found their credit union work experience very rewarding, many of them have secured paid jobs now.

- 5.2. A social media presence has been established through a Facebook page and Twitter account. The credit union has worked closely with the illegal money-lending team and been included in their marketing campaign locally.

6. Key objectives for 2017 - 2018

- 6.1. Coventry & District Credit Union are working towards the following key objectives for 2017-18.
- 6.2. **Reducing Expenses** – there is an ongoing review of operating expenses. Debt remains under control and the credit union is constantly seeking ways to maintain credit control in a sympathetic and responsible way.
- 6.3. **Full Operational Review** – An Operational Review is ongoing. The management structure has been reviewed to comply with regulatory requirements and a review of policies and procedures is in process.
- 6.4. **Marketing Strategy** – continue to develop social media presence, and maintain the website reflecting current trends. Explore the options for including a loan calculator facility on the website.
- 6.5. The vision of the credit union is to grow into an efficient, sustainable organisation offering a variety of products and a first class service to its members. The aim beyond the end of the Council grant is to be sustainable, funded through operational income. To achieve this there is a need to have a more mixed membership. Marketing campaigns, aimed at particular sections of the community will attract the financially marginalised by creating sustainable and viable alternatives to high interest lending. In addition to this it is planned to offer greater rewards to savers thus attracting a more affluent member.
- 6.6. To strengthen the prospects of long term financial sustainability, in September the credit union took the decision to move out of its premises on Walsgrave Road and relocated to HCCA in Holbrooks. CDCU is keen to have further discussions with the Cabinet member about how the organisation can best be supported as a result of this relocation.

7 Results of Consultation undertaken

Not applicable to this report.

8 Timetable for implementing this decision

Not applicable to this report.

9 Comments from Director of Finance and Corporate Services

9.1. Financial implications

This report is the final progress report of a three year Grant Aid Agreement signed on the 15th September, 2014. There are no financial implications arising from this report as the grant ceased in September 2017.

9.2. Legal implications

The Grant Aid Agreement was entered into pursuant to the Council's powers contained in Section 137 of the Local Government Act 1972 and Section 1 of the Localism Act 2011. As this report is a monitoring report, there are no legal implications at this stage.

9.3. Other implications
None

9.4. How will this contribute to achievement of the Council's key objectives / corporate priorities?

One of the Council's Local Priorities is protecting the most vulnerable and reducing the impact of poverty. The Council is supporting credit unions to provide a sustainable and effective alternative to the high interest borrowing typical of pay day loan companies. More generally credit unions provide an ethical and community-based approach to personal finance which, it is hoped, will benefit residents and the city over the longer term, making services more accessible to all.

9.5. How is risk being managed?

The grant has been monitored on a quarterly basis and an annual report will be received by Cabinet Member for Strategic Finance and Resources.

9.6. What is the impact on the organisation?

Officer time has been required to monitor the grant, but this is minimal.

9.7. Equalities / ECA

The services of Credit Unions are targeted at the most vulnerable and provide a service open to all. There are no equality implications within the report. The report is giving an overview of services provided. The Council would undertake an ECA on any policy change

9.8. Implications for (or impact on) the environment
None.

9.9. Implications for partner organisations?
None

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