

<b>Key Decision Required:</b>	<b>YES</b>	<b>In the Forward Plan:</b>	<b>YES</b>
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## CABINET

28 FEBRUARY 2014

### REPORT OF THE HOUSING AND BENEFITS AND REVENUES PORTFOLIO HOLDER

#### A.4 PROVISION OF A CREDIT UNION FOR RESIDENTS IN THE TENDRING DISTRICT (Report prepared by Jon Barber)

#### PART 1 – KEY INFORMATION

<b>PURPOSE OF THE REPORT</b>
<b>To establish the provision of a Credit Union in the Tendring District, providing a safe and comparatively low cost option for people to access finance.</b>
<b>EXECUTIVE SUMMARY</b>
<ul style="list-style-type: none"> <li>• A Credit Union is a member-owned financial co-operative, democratically controlled by its members, which offers convenient savings and low interest loans to its members.</li> <li>• In the current economic climate it is felt that the provision of a credit union could benefit many Tendring residents. In particular, this would provide an alternative to pay-day loan providers which often charge significant interest rates.</li> <li>• It is proposed that Tendring District Council (TDC) supports and promotes the Colchester Credit Union Ltd (CCU), with some key partners who wish to work with TDC to ensure there is the provision of a credit union facility in the District.</li> <li>• TDC will support this by paying the £3 joining fee for Tendring residents, and offer £5,000 for the provision of loans to TDC Housing tenants. In addition, it will provide an operating space in Clacton and work with partners to provide an access point in Harwich.</li> </ul>
<b>RECOMMENDATIONS</b>
<p><b>It is recommended that Cabinet agrees the following:</b></p> <ul style="list-style-type: none"> <li><b>(a) Colchester Credit Union be supported to operate in the Tendring District;</b></li> <li><b>(b) The Council pays the £3 joining fee for new savers in the Tendring District;</b></li> <li><b>(c) The Council offer up to £5,000 from the Housing Revenue Account (HRA) to be ring-fenced for loans to TDC housing tenants; and</b></li> <li><b>(d) The Corporate Director, Corporate Services, be authorised to give effect to the proposed actions outlined in this report as appropriate.</b></li> </ul>

## PART 2 – IMPLICATIONS OF THE DECISION

### DELIVERING PRIORITIES

This initiative fits into the Council's Corporate Priorities, in particular, to 'Address Deprivation' as it will assist some of the most vulnerable individuals and families in the District.

### FINANCE, OTHER RESOURCES AND RISK

#### Finance and Other Resources

TDC is proposing to pay the £3 joining fee for all residents in Tendring who wish to join the Credit Union. Anyone over 16 who lives, works or studies in Tendring is eligible to join CCU. There is no joining fee for under 16's. It is expected that the Council's total financial exposure in terms of joining fees will be less than £5,000, and that the Rural Infrastructure fund is utilised for this purpose.

In addition, a sum of £5,000 from the Housing Revenue Account will be ring-fenced for loans to TDC housing tenants.

TDC will provide the location for the Credit Union to operate in Clacton using the Housing Reception at the Town Hall. Housing Reception staff will be trained on the operational requirements and it is envisaged that this will have minimal impact on their current services. The operational times will be determined on demand but are expected to be for one half day each week.

In Harwich, JobCentre Plus (JCP) is providing substantive support by providing space for the Credit Union to operate in its offices. The service will be staffed by volunteers sourced by JCP.

JCP has also confirmed its offer of a full-time resource until the end of March 2014 to assist with building the capacity of the Credit Union in Tendring. This resource could also develop the credit union by relaunching the service in schools across the District, helping children to learn the benefits of saving. This in turn will encourage parents and carers to join the CCU.

CAB Tendring is currently bidding for funding from the Department of Work and Pensions to run Financial Literacy sessions for their clients across the District, which could be linked to the launch of the Credit Union in Tendring.

#### Risk

There is minimal risk to TDC as the operational aspects of the credit union are to be undertaken by an established organisation. It is also considered likely that the financial liabilities for TDC will be minimal.

### LEGAL

The actions proposed are within the Council's discretionary general power of competence under the Localism Act 2011.

## OTHER IMPLICATIONS

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.

Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement.

Offered to all residents and those who work or study in the Tendring District who are eligible to be members of CCU.

## PART 3 – SUPPORTING INFORMATION

### BACKGROUND

A Credit Union is a member-owned financial cooperative, democratically controlled by its members, which offers convenient savings and low interest loans to its members. The members own and manage their credit union themselves.

The three main aims of a Credit Union are:-

- To encourage its members to save regularly.
- To provide loans to members at very low rates of interest.
- To provide members with help and support on managing their financial affairs (if required).

Benefits of a Credit Union are:-

- It is an easy and convenient way to save and borrow.
- It offers very low cost loans.
- It's a way to learn new skills.

Credit Unions can:-

- provide a focal point for a community by bringing people together, to work alongside each other for their own benefit and the benefit of the community as a whole.
- offer a safe and easily accessible home for your savings and the opportunity to obtain a loan on ethical terms at reasonable rates.
- can help to revive the local economy by keeping money in the community. Loans to Members can mean income for local shops and businesses.

Colchester Credit Union Ltd., formed in 2002, is a Savings and Loans Co-operative open to anyone over the age of 16 years who lives, works or studies in the Borough of Colchester or District of Tendring. It is regulated by the Financial Conduct Authority and the Prudential Regulation Authority. There is a Young Savers Club for young people under 16 years. A copy of FAQ's is attached as an Appendix.

Savings can be of any amount up to a maximum of £10,000.00 and at a frequency to suit the saver's circumstances.

Loan interest is 2% per month on a reducing balance. This works out at £13.47 interest per £100 over a period of 12 months. There are no set up fees and no penalties for early repayment. Loans may be granted after a short period of saving but small emergency loans can be considered outside this policy depending on circumstances. Loans are available for over 18's only.

Long-term savers (over 4 years) qualify for a preferential loan interest rate of 1.5%.

CCU currently has approximately 500 members, less than 5% of those reside in Tendring (around 25 members).

Up until 4 years ago, there were several collection points in Tendring, and over 20 schools in the area. This was facilitated by a collector believed to have been employed by ECC but the funding was discontinued and Tendring members were requested to close their accounts which most did.

## **CURRENT POSITION**

There are two credit unions currently operating in Tendring; Essex Savers and Colchester Credit Union. The previous Leader of the Council and current Leader had discussions with both providers and it is considered that the Colchester Credit Union is the most appropriate partner for us to work with.

It is proposed that TDC supports and promotes the Colchester Credit Union in the Tendring District, supported by some key partners who wish to work with the Council to ensure there is the provision of a credit union facility in the District;

- JobCentrePlus (DWP)
- CAB Tendring
- Housing Association Partners

There are 18 housing associations with properties across Tendring that will be invited to become supporters in this initiative, with some providing extra support for their residents in the form of financial health checks, starting balances or ring-fencing monies for loans. One housing association has already agreed to support the initiative by making a contribution of £10.00 to each of their tenants' new savings accounts, and a contribution of £5000 to be ring-fenced for their tenants' loans.

### **Volunteers**

Should the demand for the provision of the Credit Union dictate, volunteers will be required to secure the development of the credit union. A volunteer would ideally have a financial/business background and be prepared to commit to the project for the long-term.

It is envisaged that our partners could source suitable volunteers.

### **Potential Investors**

To further secure the success of the credit union, investors are obviously key. Investing funds into the credit union benefits the whole community by enabling loans that more often than not are spent in the community, benefitting local businesses and in turn securing local employment. It is proposed that TDC will promote and invite local businesses to support the credit union.

## **BACKGROUND PAPERS FOR THE DECISION**

None

## **APPENDICES**

Appendix – FAQ's - Colchester Credit Union

## **COLCHESTER CREDIT UNION**

### **New Members Most Frequently Asked Questions**

- Q. Who can join?  
A. **Anyone living, working or studying in the administrative Borough of Colchester and Tendring District.**
- Q. Who runs the Credit Union?  
A. **It is a co-operative run by its members, who are also volunteers.**
- Q. Do I have to pay to join?  
A. **There is a one-off joining fee of £3.00.**
- Q. How much can I save?  
A. **You can open your account with £1 and then save as much or as little as you can afford, up to a maximum shareholding of £10,000.**
- Q. How much interest will I get?  
A. **Credit unions are not allowed to pay interest. However, if profits permit, they can pay a dividend to eligible members.**
- Q. If I take out a loan must I keep saving?  
A. **You are encouraged to carry on saving while repaying the loan, although it can be less than your usual rate.**
- Q. Can I take out all my savings?  
A. **Yes. Providing your savings are NOT securing a loan. We aim to deal with requests for cash withdrawal on demand. Large cash withdrawals will require notice. Withdrawals can also be made by cheque. Remember you need to leave £1 in your account to keep it open.**
- Q. While I have a loan can I withdraw my savings (Shares)?  
A. **Normally shares cannot be withdrawn until 50% of the loan has been repaid.**
- Q. When can I take out a loan?  
A. **After you have been saving a regular amount for three months (13 weeks) you can apply for a loan. Terms and conditions apply. All loans are assessed by the credit committee. Their decision is final.**
- Q. How much can I borrow?  
A. **up to twice the amount you have saved for the first loan, maximum £500. A larger loan could be available thereafter.**
- Q. How much does a loan cost?  
A. **Interest is 2% per month on a reducing balance. Typically, this works out at £13.47 interest per £100 over a period of 12 months. There are no set up fees and no penalties for early repayment.**
- Q. Who regulates the Credit Union?  
A. **We are regulated by the Financial Conduct Authority and authorised by the Prudential Regulation Authority. We are members of the Association of British Credit Unions Limited. (ABCUL).**
- Q. Is my money absolutely safe?  
A. **Yes. Your savings are protected by our Fidelity Bond and by the FCA Compensation Scheme. This means that you will not lose your money.**
- Q. I know a Credit Union is run by its members; can I help to run mine?  
A. **Yes. We welcome volunteers from all backgrounds. Everyone has skills that can help make the Credit Union a success!**