

STOCKTON-ON-TEES BOROUGH COUNCIL

CABINET RECOMMENDATIONS

PROFORMA

Cabinet Meeting15th January 2014

1. Title of Item/Report

Tees Credit Union

2. Record of the Decision

Consideration was given to a report on the Tees Credit Union. The report provided Members with information in relation to Tees Credit Union, work underway to support its continued development and sustainability and progress to date.

Tees Credit Union (TCU) was established in 1993 and was originally known as Thornaby Credit Union, offering savings and loans to those who lived or worked in Thornaby. By 2009 it had implemented its plans to expand coverage across the whole Borough encompassing the business of Central Stockton and Stockton North's Credit Unions (the only other registered credit unions in the Borough).

TCU was regulated and controlled by the Financial Conduct Authority with members finances safeguarded through the Financial Services Compensation Scheme up to a limit of £85k.

A credit union was a community-based financial co-operative that provided affordable financial services to its members. The membership was based around a common bond which restricted TCU to an area of operation across the borough of Stockton-on-Tees.

TCU had its own governance arrangements in place via a Board of 7 Trustees, 2 of who assist with the operational running of TCU. It had 2 paid employees (The Manager and administrative support) and a number of volunteers. It was currently producing a volunteer information pack to help with the recruitment of additional volunteers to grow its operating capacity.

TCU was funded through a mixture of grants from health funding and Tristar Homes, alongside its income from loans, which supported the operational costs. Charities Commission recommendation was that organisations had sufficient reserves to cover a minimum of 6 months operating costs – Tees Credit Union was in a healthy position in relation

to this recommendation.

Following an approach by TCU to SBC with a request for funding in 2010 TCU were supported in undertaking a self-assessment against the Association of British Credit Unions Ltd standards. This self-assessment and a multi-agency workshop instigated by Alex Cunningham MP identified a number of development strands that were required for the TCU to be in a sustainable position for the future. TCU submitted a successful bid to the SBC Investment Fund to fund a Compliance Officer to ensure that TCU was fully compliant with ABCUL's code of Governance. (Association of British Credit Union's).

TCU were also supported to make bids to the Barclays Community Fund (both of which were unsuccessful – the funding went to larger organisations.)

With support from Five Lamps, TCU subsequently submitted a bid to the Northern Rock Foundation to undertake some work on a feasibility study and subsequent development of an outline business plan. The feasibility study identified that:-

- TCU had an emerging business strategy
- It needed to continue with its efforts to improve governance and operational systems
- It needed to grow to achieve an improved offer to its customers and in relation to its operational effectiveness, maximise economies of scale and achieve financial self-sustainability (including considering the feasibility of merger)
- It should consider sharing platforms for membership and operational services with other credit unions under the Northern Money initiatives
- It required an investment of around £70k to create the required internal capacity

Following the receipt of the feasibility study and outline business plan a further bid was made to the 2013 SBC Investment fund which was approved (£43K) and was supporting the work of a multi-agency Change Team established in 2013. The Change Team were assisting TCU in developing and implementing a robust business plan (building on the detail of the outline business plan) to improve its sustainability, further develop its offer, enhance its governance, assess and improve its systems, promote and market its service to reach those most in need of its services and to ensure it is well placed to compete with high-cost lenders. It was expected that a further bid would be made to Northern Rock Foundation to implement specific elements of the new business plan, early in 2014.

The Change Team was led by the CEO of Five Lamps. An attachment to the report showed details of Change Team Members.

Since the Change Team was established a number of developments had taken place as outlined below. These would be further developed and added to pending the outcome of the Change Matters assessment.

Vision and Culture

- A 'change matters' self-assessment is being undertaken by the development officer, in advance of the development of a revised business plan, with a clear and timely strategic focus that identifies the skills and knowledge required to implement it. The elements within the Change Matters framework are detailed at Appendix 3. Change Matters is a performance framework developed and supported by the Community Development Finance Association.
- Feasibility of other models of delivery is being explored, for example, the DotCommunity model, merger with other credit unions etc.
- A series of key performance indicators have been identified to support TCU Board in monitoring its performance and to help establish growth and capacity targets

Leadership and Management

- Additional Directors have been recruited to the Board, adding to the skills mix
- Further targeting for additional Board Members will take place pending the outcome of a skills audit
- Additional volunteers are being recruited (a volunteer pack, including role descriptors, is being developed to support the recruitment drive early in 2014) to provide additional capacity to deal with business growth.

Governance

- The TCU Board recently took a decision, which has been approved, to extend its common bond area to Durham and North Yorkshire to allow it to operate across other geographical areas at an appropriate point in the future, pending the development of their capacity.

Marketing and Communications

- Payroll deduction scheme has been rolled out across SBC (already in place in Tristar) with plans to reach other large employers,

starting with schools.

- Improvements have been made to marketing materials and website
- Additional collection points have been opened (List of collection points is attached at Appendix 4)
- A pre-paid card is being rolled out, which includes cash-back offers and discounts
- Discussions have taken place in relation to having a 'high street presence' and is being considered linked to capacity to service
- Discussions are scheduled to take place with Teesside University in relation to securing additional support for marketing

Business Processes and systems

- Capital has been released to support access to affordable loans
- Feasibility work has been undertaken in relation to establishing online access to accounts and agreement reached on implementation via a web-based system.
- Some systems work has been undertaken, in partnership with Darlington Credit Union, to improve understanding of active membership to support the development of the on-going business model and in relation to sharing back office services with other credit unions

Over the last 3 years adult membership had increased by 41% and junior membership by 42%. Following a review of the membership figures and activity and associated data cleansing, by the Development Officer, there were a total of around 800 active adult members of which 232 were borrowers. As a proportion of the borough population and compared with other credit unions the levels of membership were low. This was recognised by the TCU Board and the Change Team. Increasing membership through further product development and promotion was a feature within the business plan but was clearly linked to the need to enhance the capacity of TCU to cope with additional demand through streamlining business processes, making the most effective use of IT as well as recruiting additional volunteers. A clear set of targets for membership growth were being developed alongside a suite of operational and sustainability performance indicators against which the Board could measure and track progress.

Tees Credit Union was based within South Thornaby Community Centre in office accommodation provided free of charge by Five Lamps. As TCU enhanced its capacity alternative accommodation would need to be sourced. It also delivered its services via a network of outreach sites and these were attached to the report.

The services currently offered include:-

- Regulated savings
- Low cost loans
- Junior savings
- Christmas savings
- Pre-paid card facilities
- A bill-paying budget account
- Direct Debit facilities
- Standing Order facilities
- Family funeral plan
- Money management and budgeting advice
- Access to electrical goods (Co-op)
- Quit and save initiative (smoking cessation and saving service)

The changes in relation to the Local Strategic Partnership and its focus on tackling family poverty through 'A Brighter Borough for All' with its priorities of ensuring every child had the best start in life and maximising family income, provide an opportunity for Infinity (the borough's financial inclusion forum) and TCU to link in with the locality forum task and finish groups, particularly in relation to any activity associated with maximising family income. Early discussions had taken place with Infinity and TCU.

The combination of the recruitment of additional directors to the TCU Board, the establishment of the Change Team and the investment via Northern Rock, Tristar and SBC, alongside recognition by the TCU Board of the need for change were starting to see some encouraging steps forward.

There was more work to do in order to ensure that Tees Credit Union was well-placed to deliver ethical community financial services and products across the borough in a climate where levels of debt were increasing and the market for high cost and new lending models were rapidly changing. It was anticipated that this positive direction of travel would continue following receipt of the Change Matters assessment, the Sustainable Business Plan and future funding bid to Northern Rock Foundation to support its implementation.

Capacity within TCU was limited; therefore the work to support them in terms of sustainability development needs to be managed strategically, via the Change Team, to avoid the risk of competing and divergent demands on their time.

The Change Team were of the view that there needed to be some funding made available in the short-medium term to enhance the capacity

within TCU to implement the business plan and recommendations from the Change Team. It was expected that this would be the focus for a submission to Northern Rock Foundation in January/February.

RESOLVED that the report be noted.

3. Reasons for the Decision

Following recent reports to Cabinet on Welfare Reform, Members requested information in relation to the position of Tees Credit Union.

4. Alternative Options Considered and Rejected

None

5. Declared (Cabinet Member) Conflicts of Interest

Councillor Nelson declared a personal non prejudicial interest in respect of agenda item 8 – Tees Credit Union as he was on the Tristar Board.

Councillor Mrs McCoy declared a personal non prejudicial interest in respect of agenda item 8 – Tees Credit Union as her son had received a payment from Tristar Homes to help with flood damage.

Councillor Rose declared a personal non prejudicial interest in respect of agenda item 8 – Tees Credit Union as he was a member of Tees Credit Union.

6. Details of any Dispensations

N/A

7. Date and Time by which Call In must be executed

Midnight on Thursday, 23rd January 2014

Proper Officer
17 January 2014