

**STOCKTON-ON-TEES BOROUGH COUNCIL**

**CABINET RECOMMENDATIONS**

**PROFORMA**

Cabinet Meeting .....9th October 2014

1. Title of Item/Report

Tees Credit Union

2. Record of the Decision

Consideration was given to a report that presented an update on the progress and activity relating to Tees Credit Union in response to a request by Cabinet following the previous report in January 2014. Significant progress had been by Tees Credit Union in relation to strengthening its governance arrangements, the development of a robust business plan, increases in its product range and outreach collection points and a successful bid to Northern Rock Foundation which provides funding to further enhance its continued development.

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. Since the previous report to Cabinet the board of TCU had received approval to extend its common bond to an area that includes Tees Valley, Durham and North Yorkshire. Whilst TCU had extended their common bond area they remained committed to, and focussed on, serving the needs of the population of the Borough of Stockton-on-Tees, whilst retaining flexibility to respond to requests from individuals in neighbouring areas where credit union provision is lacking.

Since the last report to Cabinet TCU had further developed its governance arrangements with a number of new board members and a

new Chair of the Board who all brought additional skills to the existing board in support of its development plan. Attached to the report were the details of TCU board. It had 3 paid employees (The Manager and two administrative support staff) and had increased the number of volunteers and outreach collection points. Attached to the report was see a list of the current collection points.

The TCU Board, supported by a multi-agency change team and an element of funding from the SBC Investment Fund made a successful bid to the Northern Rock Foundation and had secured £150k. The Board had agreed this would be used in relation to supporting its business growth and sustainability through investment in IT, Staffing and premises. This was very much 'work in progress' following the confirmation of the funding being received in June this year. Work to date included:-

- Conducting a feasibility study into merging with a neighbouring credit union which includes development of a refreshed vision and operating model, identification of efficiencies and due diligence. The outcome from this is expected to be presented to TCU Board in November 2014. This model of operation is in line with the recommendations from the Paul Jones (Liverpool University) research into the growth and development of credit unions.
- Interim arrangements are being explored to fast track development using experienced personnel with strategic and business development experience and knowledge.
- A working partnership with a neighbouring credit union based on an allocation of 2 days a week of senior manager time.
- Investing in SMART technologies to enhance access to information and accounts
- Exploring the opportunities for establishing a high street presence
- Implementing a volunteer recruitment drive

As well as making changes to its governance arrangements TCU had improved its product range in response to changing customer need and, in addition to providing the traditional collection points they also offer the following:-

- Access to white goods and furniture for tenants of Thirteen Group properties through a partnership arrangement with Thirteen Group
- Adult savings account
- Christmas savings account
- First savers account
- Quit and save account (smoking cessation and saving service)
- Loyalty loans (with a max. APR of 42.6%, 3% month on the reducing balance)
- Share loan (linked to the balance of an individual's savings)

- Free death benefit scheme
- Payroll deduction scheme (SBC, Catalyst, Thirteen Group, Five Lamps)
- Pre-paid card facility (which doesn't require any credit check, is a safe alternative to a high street bank, can only spend what is loaded on to the card)
- Bill-paying budget account
- Direct debit facility
- Standing order facility
- Family funeral plan
- Money management and budgeting advice

TCU had a target to increase membership in the Borough of Stockton from 1% to 4% of the current population and were averaging 30-40 new members per month. They were just coming to the close of their business year with the 2nd half of their annual performance showing an improvement on the first half. Membership was at 2053 compared with 1704 at the end of September 2013, indicating a 20% improvement.

The national rollout of Universal Credit, scheduled for 2016, was likely to see further opportunity for TCU to expand its customer base.

TCU were seeing a growing need and demand for its services as a result of people experiencing increasing economic hardship and/or looking for alternatives to high cost lending. This aspect had been reflected in the options being presented to Cabinet in relation to the continuation of the 'Back on Track' scheme.

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, provided 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. This had resulted in a range of activity within the Central, Eastern and Northern Locality Forum Action Plans to actively promote, support and increase its reach.

Support for TCU from the SBC had been in a range of forms and continued since the previous report to Cabinet. It included:-

- Membership of the TCU Change Team at a senior level (Corporate Director and Head of Service). Following the securing of the Northern Rock funding and the strengthening of the TCU Board the Change Team has ceased meeting on a formal basis.
- 2 Heads of Service with relevant skills and knowledge have been

offered and accepted on to the Tees Credit Union Board

- The provision of customer insight data and intelligence to help with marketing and targeting
- The introduction of payroll deduction for staff and members (72 new TCU members have been achieved to date)
- Further promotion of the services and facilities available through TCU to employees and members
- An incentivised pilot scheme linked to the Troubled Families Initiative was put in place to encourage those targeted through the Troubled Families Initiative to improve their financial capability through accessing the services of TCU. To date only 1 of the target beneficiaries has taken up the offer and this is currently being reviewed.
- Facilitating discussions with a range of key stakeholders in relation to securing a High Street presence.
- Consideration of the inclusion of TCU in proposals for a revised 'welfare assistance' scheme following the removal nationally of the funding for the Social Fund, subject to a separate report to Cabinet.
- Providing a range of forums through which TCU can promote its services (e.g., the Stockton Strategic Partnership 'Maximising Income' event and the Locality Forums)
- Provision of information relating to large businesses to target for possible interest in payroll deduction

Since the previous report to Cabinet in January 2014 significant progress had been made by Tees Credit Union in relation to its operating model and plans towards sustainability. They recognised there was further work to do and were taking positive steps to deliver their business plan.

RESOLVED that the report be noted.

3. Reasons for the Decision

Following an earlier report to Cabinet (Jan. 2014) a further update was requested.

4. Alternative Options Considered and Rejected

None

5. Declared (Cabinet Member) Conflicts of Interest

Councillor Cook declared a personal non prejudicial interest in respect of agenda item 4 – Tees Credit Union – Update as he was a member of Tees Credit Union.

Councillor Faulks declared a personal non prejudicial interest in respect of agenda item 4 – Tees Credit Union – Update 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 Friday, 17th October 2014

Proper Officer  
13 October 2014