

CABINET ITEM COVERING SHEET PROFORMA

AGENDA ITEM

REPORT TO CABINET

9 OCTOBER 2014

**REPORT OF CORPORATE
MANAGEMENT TEAM**

CABINET DECISION

Access and Communities – Lead Cabinet Member – Councillor David Coleman

TEES CREDIT UNION

1. Summary

This report presents 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 has 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.

2. Recommendation

Cabinet note the report.

3. Reasons for the Recommendation/Decision

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

4. Members' Interests

Members (including co-opted Members with voting rights) should consider whether they have a personal interest in the item as defined in the Council's code of conduct (**paragraph 8**) and, if so, declare the existence and nature of that interest in accordance with paragraph 9 of the code.

Where a Member regards him/herself as having a personal interest in the item, he/she must then consider whether that interest is one which a member of the public, with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice the Member's judgement of the public interest (**paragraphs 10 and 11 of the code of conduct**).

A Member with a prejudicial interest in any matter must withdraw from the room where the meeting considering the business is being held -

- in a case where the Member is attending a meeting (including a meeting of a select committee) but only for the purpose of making representations, answering questions or giving evidence, provided the public are also allowed to attend the meeting for the same

purpose whether under statutory right or otherwise, immediately after making representations, answering questions or giving evidence as the case may be;

- in any other case, whenever it becomes apparent that the business is being considered at the meeting;

and must not exercise executive functions in relation to the matter and not seek improperly to influence the decision about the matter (**paragraph 12 of the Code**).

Further to the above, it should be noted that any Member attending a meeting of Cabinet, Select Committee etc; whether or not they are a Member of the Cabinet or Select Committee concerned, must declare any personal interest which they have in the business being considered at the meeting (unless the interest arises solely from the Member's membership of, or position of control or management on any other body to which the Member was appointed or nominated by the Council, or on any other body exercising functions of a public nature, when the interest only needs to be declared if and when the Member speaks on the matter), and if their interest is prejudicial, they must also leave the meeting room, subject to and in accordance with the provisions referred to above.

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SUMMARY

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RECOMMENDATION

Cabinet note the report.

DETAIL

1. 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).
2. TCU is regulated and controlled by the Financial Conduct Authority with members finances safeguarded through the Financial Services Compensation Scheme up to a limit of £85k.
3. A credit union is a community-based financial co-operative that provides affordable financial services to its members. The membership is based around a common bond. Since the previous report to Cabinet the board of TCU have received approval to extend its common bond to an area that includes Tees Valley, Durham and North Yorkshire. Whilst TCU have extended their common bond area they remain 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.
4. Since the last report to Cabinet TCU has further developed its governance arrangements with a number of new board members and a new Chair of the Board who all bring additional skills to the existing board in support of its development plan. See Appendix 1 for details of TCU board. It has 3 paid employees (The Manager and two administrative support staff) and has increased the number of volunteers and outreach collection points (see appendix 2 for a list of the current collection points).

5. 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 has secured £150k. The Board have agreed this will be used in relation to supporting its business growth and sustainability through investment in IT, Staffing and premises. This is very much 'work in progress' following the confirmation of the funding being received in June this year. Work to date includes:
 - 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

6. As well as making changes to its governance arrangements TCU have improved its product range in response to changing customer need and, in addition to providing the traditional collection points they also now 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

7. TCU have a target to increase membership in the Borough of Stockton from 1% to 4% of the current population and are currently averaging 30-40 new members per month. They are 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 is currently at 2053 compared with 1704 at the end of September 2013, indicating a 20% improvement.

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

9. TCU are 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 has been reflected in the options being presented to Cabinet in relation to the continuation of the 'Back on Track' scheme.

10. 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 has 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 has resulted in a range of activity within the Central, Eastern and Northern Locality Forum Action Plans to actively promote, support and increase its reach.
11. Support for TCU from the SBC has been in a range of forms and continued since the previous report to Cabinet. It includes:
- 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

CONCLUSION

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

FINANCIAL IMPLICATIONS

13. None arising from this report.

LEGAL IMPLICATIONS

14. There are no legal implications arising from this report.

RISK ASSESSMENT

15. The risk to the Council is assessed as low-medium. Existing management systems and daily routine activities are sufficient to control and reduce the risk.

CONSULTATION INCLUDING WARD/COUNCILLORS

16. N/A

Name of Contact Officer: Lesley King

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Education related? No

Background Papers: None

Ward(s) and Ward Councillors: N/A

Property: N/A

Tees Credit Union Board Members

Colin Stratton	(Chair)
Dave Allsopp	(Treasurer and Secretary)
Pam Rees	
Kath Hamilton	
Kay Glew	
Laura Provett	
Debbie Hurwood	
Ian Coxon	

Tees Credit Union Outreach and Collection Points

Up to date information coming from Diane Patterson