

## **NORTH LINCOLNSHIRE COUNCIL**

### **POLICY AND RESOURCES CABINET MEMBER**

#### **LOCAL WELFARE PROVISION – CREDIT UNION FUNDING**

##### **1. OBJECT AND KEY POINTS IN THIS REPORT**

- 1.1 This report seeks approval for the Policy and Resources Cabinet Member to support North Lincolnshire Credit Union (NLCU) with funding amounting to a £25k one-off grant and the option to access an interest free repayable loan of £33k if required, in order to enable the expansion of NLCU through a merger with the much larger Hull and East Yorkshire Credit Union (HEYCU).
- 1.2 The matter was urgent due to the timescales set within the Credit Union project plan.

##### **2. BACKGROUND INFORMATION**

- 2.1 In September 2013 Cabinet considered a report which outlined the current and potential use of a new grant funding stream for Local Welfare Provision. Cabinet agreed in principle to explore the potential to support the work of the NLCU by providing funding for loans and resource to deal with additional demand, subject to a satisfactory business case.
- 2.2 Subsequent discussions took place with NLCU regarding the support they required and their capacity to expand and modernise in order to best support the residents of North Lincolnshire. The Credit Union is seen as a key partner who are ideally placed to support people with managing their finances, both at present by managing payments of Housing Benefit to ensure that rent payments are made to private landlords, and in future, when claimants move onto monthly payments of Universal Credit (UC). The Credit Union also offers a responsible alternative to high-cost doorstep and payday lending for people on low incomes who struggle to access mainstream credit facilities.
- 2.3 NLCU recognise that in order to ensure sustainability they need to be able to offer a wider range of products and services which is attractive to members from all parts of the community. At present NLCU members are concentrated in low-income groups and the recommended membership target of 2% of the population equates to a tripling in size. NLCU does not currently have the financial or other capacity to expand at a pace that will be

required in order to be in a position to effectively support potential UC claimants as well as offer an attractive service to other members of the community.

2.4 The NLCU board has identified that a merger with HEYCU would enable them to transform their service offer on a longer term sustainable basis, which would be far more beneficial to the community than a short term top-up to their loans fund as previously suggested.

2.5 HEYCU is a well-established Credit Union with a successful expansion record and already offers many of the services needed, such as current accounts and card-based products. The HEYCU board is in principle keen to extend its' services to NLCU, subject to an impact assessment and due diligence. To date such a project has not taken place due to lack of a financial resource between the two organisations to resource it.

2.6 NLCU and HEYCU have jointly produced a business case which outlines the benefits and risks around a merger, and provides a detailed breakdown of the estimated cost, the process required to achieve the merger, and anticipated timescales. If funding is provided as recommended the target date for the merger to be complete is April 2015.

2.7 In order to progress the project NLCU are seeking a non-repayable grant of £25k. NLCU are investigating other sources of grant funding in order to further support additional identified project costs, amounting to £33k. As a contingency, in the event that other funding is not available, NLCU are requesting that the council makes provision for an interest free repayable loan amounting to £33k, which they can draw on if required.

### **3. OPTIONS FOR CONSIDERATION**

3.1 Three options are presented in this report:-

- To utilise £25k of the Local Welfare Provision budget, with an additional provision for an optional £33k interest free repayable loan, in order to enable the merger of NLCU with HEYCU;
- To seek opportunities for NLCU to merge with other local Credit Unions;
- To do nothing

### **4. ANALYSIS OF OPTIONS**

4.1 NLCU and HEYCU board members have already expressed their agreement in principle to merge. Both recognise that NLCU does not currently have the capacity to expand. HEYCU is very well established and has a track record of successful expansion and already offers products and services that NLCU aspire to.

4.2 It is recognised that an effective and expanded CU would play a key role in supporting North Lincolnshire residents by offering a more accessible and

enhanced marketplace for responsible financial services, alleviating poverty and social exclusion, and offering volunteering and employment opportunities.

4.3 Other Credit Unions operate within the Yorkshire and Humber region, with various degrees of success. NLCU board members favour a merger with HEYCU as the two organisations have shared values, there is a good geographical fit, and HEYCU's field of membership already encompasses the NLCU area.

4.4 NLCU have worked strategically for the last 24 months in order to:-

- gain the confidence of the HEYCU board;
- move to identical technology and where possible, implement like for like products which will enable a seamless migration of member data;
- encouraged the extension of the HEYCU Common Bond to North Lincolnshire

A merger with an alternative CU could not be achieved without the agreement of the NLCU Board, and significant groundwork to establish the same mutual vision, trust, and agreement which could take several years to achieve.

4.5 If the council chooses not to finance the merger project NLCU will need to rapidly seek an alternative plan in order to expand. There is a risk that other CUs in the area will seek to extend their business into the North Lincolnshire area and North Lincolnshire will lose local knowledge, expertise and opportunities for employment and volunteering which would remain as a result of the merger.

4.6 It is recommended that North Lincolnshire Council agree to provide the requested funding in order to facilitate the merger with HEYCU.

## **5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)**

5.1 A one-off grant payment of £25k will be made from the Local Welfare Provision programme funding budget. The grant for 2014/15 is £453k. As at the end of Period 4 the actual amount spent from the budget was £118k against a budget profile to date of £150k.

5.2 Provision will be made for an optional £33k interest free repayable loan which may be accessed by NLCU. This amount will be set aside as a reserve which will underwrite the loan and would be used to fund any charge to revenue that might result from a partial or complete write off of the loan. When the loan is repaid, or if NLCU do not take the option to access the loan, an amount equal to the repayment or the full amount of the reserve will be credited back to the revenue budget.

5.3 If NLCU choose to access the loan fund the agreement will specify that the loan is repaid within a maximum period of 5 years from the date of agreement.

5.4 Local Welfare Provision grant funding will cease on 1<sup>st</sup> April 2015, therefore the council only has the opportunity in the current financial year to allow a one-off grant from this budget.

5.5 Progress towards the merger will be monitored by monthly reporting to the Poverty Working Group.

5.6 There are no staffing, property or IT implications.

## **6. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)**

6.1 Not applicable at this stage. An impact assessment is planned as part of the merger project.

## **7. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED**

7.1 Not applicable.

## **8. RECOMMENDATIONS**

8.1 That the Cabinet Member Policy and Resources agrees the offer of a £25k grant to NLCU in order to facilitate and promptly progress the proposed merger with HEYCU.

8.2 That the Cabinet Member Policy and Resources agrees to set aside a reserve amounting to £33k from the Local Welfare Provision budget, which may be accessed by NLCU as an interest free loan, repayable within 5 years of the date of the decision.

8.3 That the Cabinet Member Policy and Resources agrees to delegate monitoring of the merger progress to the Poverty Working Group.

### **DIRECTOR OF POLICY AND RESOURCES**

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### **Background Papers used in the preparation of this report:**

Project Bridge – Extending the Benefits of Credit Union Membership in North Lincolnshire