

Report of	Meeting	Date
Director of Communities (Introduced by Cabinet Member (Wealth Building, Social Justice, Equality and Diversity)	Cabinet	13 th September 2023

Credit Union - Progress Update

Is this report confidential?	No
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Is this decision key?	Not Applicable
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Purpose of the Report

- To update Cabinet on the progress made by Unify Credit Union, following the provision of grant to provide credit union facilities to residents and anyone who works within South Ribble.

Recommendations to Cabinet

- Cabinet is asked to note the report.

Other options considered and rejected

- This report is to note.

Corporate priorities

- The report relates to the following corporate priorities:

An exemplary council	Thriving communities
A fair local economy that works for everyone	Good homes, green spaces, healthy places

Background to the report

- Unify Credit Union is a not for profit social enterprise, who support the local area increasing financial inclusion by providing financial education and affordable financial services.

8. In June 2021, Unify Credit Union was provided with a grant to support the set up and resourcing of a new branch in Leyland. The grant split over three years, seeks to ensure that within South Ribble, there is a sustainable branch and credit union facility accessible by both residents and anyone who works within a business / employer in the district.
9. Unify are now in the final year of the grant, and this report provides an update on progress made to date against the objectives set out in the business plan, together with an outline of the activities planned within the final year and steps after the grant completes.

Credit Union Benefits

10. In 2021 access to credit unions in South Ribble was limited. As a result of the collaboration between Unify Credit Union and South Ribble Council, all residents and anyone who works in the Borough is now able to access credit union facilities and products.
11. The key objective has been to ensure that at the end of the three-year project, South Ribble will have a sustainable credit union facility and branch office within the Borough. This objective is secure with Unify reporting that they are confident that beyond March 2024 they will continue to be present and active within South Ribble.
12. In a cost of living crisis, the role of the credit union remains important by being able to provide products and services to members and is a real alternative to poor money lending both illegal and the highly accessible pay in three and high interest rate loans (pay day).
13. In the last financial year the Credit union was able to issue 613 loans, totalling £387,390 in South Ribble. The majority of these loans (57%) were family loans. The family loan is available to families or individuals that are in receipt of Child Benefit and is able to provide support through a small loan whilst encouraging and developing savings for the individual and their family.
14. The fundamental principle of the credit unions is around promoting saving and building a person's financial resilience. An example of how this works and the benefits brought to residents in the Borough are the value of savings against family loans. In 2021 when the branch first reported after opening the value of savings against family loans was £541, whereas at the end of March 2023 it was £51,029. Across the membership within South Ribble, the overall savings with the Credit Union stands at a value of £391,175, of which £211,491 was not attached to loans but general savings by members.
15. South Ribble's ongoing support to Unify benefits from the Credit Unions strong position due to its member base across Wigan, Chorley and South Ribble and last having expanded through a merger with Warrington Credit Union. Unify as a member of the Greater Manchester Credit Union Consortium, has positive impacts for members in South Ribble. For example, members can access products like the Sound Pound Loan, which is backed by the Greater Manchester Combined authority. The Sound Pound loan provides a safe solution for local people who are experiencing squeezed finances due to rising household costs. This is the only consortium of credit unions in the UK which has launched a loan product in response to the cost-of-living crisis. Sound Pound loan is available for any amount between £200 and £1000 and is open to anyone with squeezed finances that are new to Credit Unions.

16. In 2022 Unify generated a surplus of £285,000 (2021 was £138,000) seeing its income grow faster than expenditure. The surplus enabled the members dividend and loan rebate as well as £139k of the surplus strengthening reserves to build the general reserve in line with the objectives of meeting regulatory requirements and safeguarding members savings.

Objectives and Progress to date

17. The overarching objective of the grant funding and partnership with Unify Credit Union has been to ensure South Ribble has a sustainable credit union branch accessible by local residents. At this stage of the project the credit union is confident in that it is sustainable and beyond the life of the grant will remain open. The three main objectives of the plan were to:
 - Establish a sustainable credit union branch within the Borough
 - Provide an alternative to high street lending for those with poor or no credit history
 - Provide an employment and development opportunity
18. To meet those objectives, actions were agreed over the three-year period with regular monitoring, meetings and update reports provided by Unify. The actions are detailed at Appendix A with a short summary of their status and outputs.
19. Good progress has been made on a number of those actions, such as establishing the branch and recruitment and retention of an apprentice. However there have been challenges in meeting the numbers of savers and onboarding of local employers to take part in salary-based deduction saving schemes. Some of this has in part been due to challenging factors such as covid recovery and the impact of the cost of living crisis which links to lower numbers of savers where people have less disposable income.
20. Actions that require further support are around further promotion and wider community engagement so that we can further embed and place the Credit Union in other areas of the Borough.
21. To achieve this a plan has been agreed with Unify to build over the next months a presence within areas of the borough by connecting with key local community networks, as well as attending further council-based activities.
22. Unify have already been active as part of that plan in attending the Uniform Pop up shops in August 2023, meeting with potential new members and promoting their services and benefits. The Council will continue to provide further support by connecting the Credit Union with relevant groups and services across the borough. The plan is detailed at appendix B.

Social Value

23. Unify is a living wage employer and pays all staff the real living wage. This included their apprentice who was paid at the real living wage from the start of their apprenticeship journey.
24. It was fundamental in the early proposals that the establishment of a branch office should provide an employment opportunity. This had initially been considered as part of the Government's kickstart programme. However, after an unsuccessful process, the approach was adapted to look at apprenticeships through local providers. A successful candidate was found through Runshaw College and the individual has since completed their apprenticeship and is to be kept on by the Credit Union in full time employment.

Funding and Value for Money

25. The Association of British Credit Unions Ltd (ABCUL) toolkit states: “It can cost in excess of £200,000 to establish a credit union with premises and staff for the first 3 years”. Robust governance frameworks would be required to meet the obligations of the regulators as all credit unions are regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA).
26. The Council allocated a £150,000 one-off reserve to support the project. Funding has been generally used to cover staffing and running costs. The funding allocations were front loaded, decreasing over the term as the Credit Union would be expected to generate income and supplement the funding gap. The funding profile is detailed below.

Year 1	Year 2	Year 3
£ 66,000	£ 50,000	£ 34,000

27. It should be noted that from commencement, Unify has invested their own resources as the grant does not fully cover the costs to staff and establish the branch. For example to cover projected staffing costs alone were £58,810 in 2021. This reflects both the commitment and partnership of Unify with the Council. Over the term Unify have borne increasing costs to operate and continue to indicate they will be sustainable at March 2024.
28. This provides a level of assurance that the investment in grant, as envisaged will meet the key objective of a sustainable credit union branch in the Borough.

Next steps

29. The Chief Executive of the Credit Union is due to meet with the Chair and Vice Chairs of the Community Hubs, where they will seek to identify opportunities across the Borough to connect with community leaders and promote the credit union benefits.
30. In addition, the Credit Union hosted an open afternoon on the 5th September, which was promoted to all members, giving the opportunity to come and meet the Branch staff, take a tour of the facilities and have the opportunity to discuss how the Credit Union could support local residents in their wards.
31. The delivery plan for 2023/2024 seeks to address those areas where there has been challenges and take a collaborative and proactive effort to connect with communities in each area of the Borough.
32. By the end of the financial year in March 2024, the Council will complete its grant support and look to continue its relationship through a presence on the board of directors for Unify and ongoing engagement with key council services and partners.

Climate change and air quality

33. The work noted in this report does not impact the climate change and sustainability targets of the Councils Green Agenda and all environmental considerations are in place.

Equality and diversity

34. The services provided support those who may be economically disadvantaged and with limited credit. In particular through products such as the family loans and free life insurance for any member, it provides benefits to a wide cross section of our communities, but products that are aimed at those with protected characteristics such as age i.e. work with children and young savers.

Risk

35. Whilst some targets remain a challenge, overall performance with regards to sustainability and viability post grant are very low risk.

Comments of the Statutory Finance Officer

36. As detailed in the report, the Credit Union was supported by one-off Council resources over a period of three years, with the last payment to be made in 2023/24. Indications are that the Credit Union will not require or request any extra funding from the Council beyond this point.

Comments of the Monitoring Officer

37. This report is for noting. There are no direct legal implications arising. There are no concerns with the report from a Monitoring officer perspective.

Background documents

There are no background papers to this report.

Appendices

Appendix A: Progress Update 2023

Appendix B: Action Plan 2023/2024

Report Author:	Email:	Telephone:	Date:
Howard Anthony (Head of Communities)	howard.anthony@southribble.gov.uk	01772 625276	17/08/2023

Appendix A – Progress Update 2023

	Action	Commentary	Status
Year 1	Establish branch in South Ribble	This was completed in 2021 with an extension to the common bond area which meant that anyone in South Ribble who works or lives in the district can join the Credit. The branch was established and opened in June 2021 and been operating on a Mon-Friday basis.	Completed
	Recruit an apprentice to support the credit union branch	Supporting the social value and objectives to provide opportunities for employment to young people, an apprentice was recruited and remained with the Credit Union and completed their apprenticeship in 2023.	Completed
	Collaborate with South Ribble Borough Council to establish a financial inclusion group with partners	The Credit Union took part in an early series of financial inclusion meetings, with Citizens Advice and other key partners focused around debt and finance. This group evolved in to the Cost of Living Network meetings and is ongoing as part of the work towards tackling the cost of living in line with the council corporate strategy.	In progress
Year 2	Explore mobile branch locations through South Ribble Community Hubs	This element has not substantively been taken forward and requires further support from the Council. This is set out in the action plan for 2023/2024, where links will directly be made with key local organisations and groups with the view to establish local collection points in the Borough whereby people can access credit union facility for deposits. Further work will take place around the Council's digital strand for improving access to digital skills, with a particular module being developed with Lancashire adult learning around financial wellbeing which will include how to access online facilities such as Unify.	In progress
	Develop case to move apprenticeship to a full-time permanent role within the branch	The Apprentice has completed their course and passed and now been offered full time employment with credit union on a permanent basis.	Completed
	Increase number of employers linked to the branch for employee deductions	This has been challenging and despite a number of major local employers having been approached and early discussions, one major employer (Leyland Trucks) has come on board. Work is ongoing with the Council to link to smaller and medium based enterprises through networks such as Business Before Breakfast to promote the opportunities for employers to engage. A video recently released also will be used to promote the benefits of the credit union to employers as part of key employee benefits. The video can be watched here https://www.youtube.com/watch?v=nDxvfcXuioA	In progress
Year 3	Branch has balanced income and expenditure	The credit union reports at this stage that the branch is sustainable going forward which meets this objective.	2023/24
	Agree future arrangements with South Ribble Borough Council	The Council will look to continue its engagement post grant with the Credit Union by taking a role on its management board of directors, to ensure that the local residents remain represented. A relationship will further continue with the council to consider opportunities for products and promotion that can benefit our local area including potential work with schools to start work at early years and juniors on savings.	2023/24

Appendix B - Action Plan 2023/2024

Objective	Activity	Timing	Measure
<p>Increase awareness of Credit Union and its role in the community</p>	<p>Host a member drop in at the branch which we can promote to members to visit and talk with the credit union about what they do and the services they provide</p>	<p>September 5th 1-3pm</p>	<ul style="list-style-type: none"> • Number of Members attending
	<p>Provide the Chairs and Vice chairs with a session to scope possible activity within Community Hub areas of the Borough with the credit union</p>	<p>September – Chairs and Vice Chairs meeting</p>	<ul style="list-style-type: none"> • Number of Members attending • Opportunities Identified
<p>Increase Business / Employer access via deductions at Payroll</p>	<p>Business networking to raise profile of the Credit Union and benefits for local businesses through employer deductions to help employees in a number of ways, primarily by encouraging saving as a way of preventing over indebtedness and crucially, offers a low cost source of credit , which can greatly reduce the cost of borrowing at those times when it's necessary.</p>	<p>Rolling engagement supported by the Council through Skills and Investment team</p>	<ul style="list-style-type: none"> • Number of employer deduction schemes created

Increase number of Savers and awareness of the Credit Union amongst residents	Uniform Pop up Shops – Credit union to attend on a weekly basis the Uniform pop up shops to raise awareness amongst parents of types of products and ways to save with the credit union. (this is alongside other key agencies and organisations in South Ribble)	School Uniform Shop –to attend: <ul style="list-style-type: none"> • 27th July • 2nd August • 10th August 	<ul style="list-style-type: none"> • Increased numbers of savers • Loans generated
	Planned outreach with targeted community organisations with the option to establish volunteer bases to operate collection points for the credit union. The organisations in scope are those engaged with the Council and supporting key target groups.	July – Dec 2023 <ul style="list-style-type: none"> - Farington Fun Day: Friday 18 August (Confirmed to have a stall – liaising for that to be arranged) - Social Isolation Network meeting/event: Civic centre 11th October 10:00 – 12:00 – Confirmed - Introductions to be phased with community groups - Directory shared with the Credit union around different groups / community cafes that operate across the borough and will facilitate introductions 	<ul style="list-style-type: none"> • Number of collection points in the Borough

Key Targets 2023/2024 (These targets are set by the Credit Union)

Products	Target
New Savers (Members)	150
Number of Saver Loans	80
Value of Saver Loans	£ 75,000
Interest on Saver Loans	£ 20,000
Value of Savings for Saver Members	£35,000
Number of Family Loans	450
Value of Family Loans	£ 200,000
Interest on Family Loans	£ 40,000
Value of Savings for FL Members	£ 65,000
Number of Starter Loans	200
Value of Starter Loans	£150,000
Interest on Starter Loans	£31,000
Value of Savings for SL Members	£36,000
Number of Workplace Loans	20
Value of Workplace Loans	£20,000
Interest on Workplace Loans	£10,000
Value of Savings for DL Members	£5,000
Number of Loyalty Loans	120
Value of Loyalty Loans	£110,000
Interest on Loyalty Loans	£30,000
Value of Savings for LL Members	£85,000