

APPENDIX D



South
Cambridgeshire
District Council

Report To: Housing Portfolio Holder
Lead Officer: Peter Moston

18th March 2015

CREDIT UNION FUNDING PROPOSAL.

Purpose

1. To seek the approval of the Housing Portfolio Holder for a one off payment to the Credit Union.
2. This is a not a key decision.

Recommendation

3. It is recommended that the Housing Portfolio Holder approves the payment of £10,000 (ten thousand pounds) to the Rainbow Savers Anglia Credit Union Ltd.

Reasons for Recommendation

4. Improving the quality of life for South Cambridgeshire residents is an important priority for the Council which includes improving their financial wellbeing whether this involves investing in business to secure jobs, improving work skills or tackling debt.

Background

5. South Cambs are developing a Financial Inclusion Strategy which aims to help prevent financial exclusion throughout the District. The causes of financial exclusion are varied and complex and can range from an inability to access mainstream banking services and poor financial literacy, through to powerful cultural influences.
6. Within South Cambridgeshire people who are typically financially excluded might:
 - Not be able to access affordable credit
 - Not want or have difficulty obtaining a bank account
 - Be financially at risk through not having home insurance
 - Struggle to budget and manage money or plan for the unexpected
 - Not know how to make the best of their money
7. Credit Unions' main aims are to:
 - Help members to save regularly
 - Lend to members at reasonable rates of interest
 - Provide advice and support to help members to look after their money
8. Credit Unions offer a range of banking services including a pay-as-you-go visa card facility and will potentially be very useful for many tenants when Universal Credit is introduced. They can accept benefit payments direct and set up regular

payments to landlords helping members to manage their finances without going into debt.

9. Whilst it could be argued that South Cambs is a relatively affluent area with good employment opportunities, set out below are some facts about the area which show there are many low income households who would potentially benefit from access to a credit union.
10. Total number of households in South Cambs: 60,000 of whom 7,004 (11.7%) are in receipt of housing benefit (means tested benefit). There are 5,318 South Cambs rented stock of whom 2,860 (53.8%) are in receipt of housing benefit (December 2014 figures).
11. It has been estimated that individuals on low incomes pay a 'poverty premium' of approximately £1,000 per year in accessing basic financial services and utilities through the use of pre-pay utility meters, cheque commission charges and the use of non-standard credit such as home credit lenders/pay-day loans.
12. Whilst Central Government is now beginning to regulate pay-day lenders the industry has grown significantly over the past few years and there needs to be a viable alternative.

Considerations

13. Rainbow Savers Anglia is working closely with Cambridge City Council, Huntingdon (via Luminus Group) and Peterborough to expand operations throughout East Anglia and is the only Credit Union to cover all of South Cambs area with local access points already in place in Cambridge, Sawston, Cherry Hinton and Histon.
14. **Case Study A.** Mr X lives in a bungalow and is in receipt of Employment Support Allowance and Disability Living Allowance. He sustained a lower back injury some years ago and has not worked since. He uses an indoor exercise bicycle which is good for his medical condition and general fitness & wellbeing. When the equipment broke he applied to his bank (main high street) for a small loan so he could replace it. Mr X has held his bank account for many years and does not go overdrawn. He was refused a loan by his bank receiving a standard letter saying it was due to insufficient income. Mr X previously used to access community care grants/crisis loans (which were paid back from on-going benefit) but these stopped in 2013 and no alternative is available to obtain/borrow small amounts of money. He used these previously to visit his daughter who now lives in another part of the Country. Mr X would benefit from joining a credit union which after a period of saving would give him access to affordable loans.
15. **Case study B.** Mrs Y lives in a bungalow with her disabled partner. They receive Employment Support Allowance, Disability Living Allowance and Carers allowance. They took out 2 Wonga loans of £300 each about 12 months apart. During the officer home visit to discuss under-occupation they disclosed that they did not know how much they owed, what interest rate they were paying or when payments would stop. They just knew that their monthly payments to Wonga were approximately £180 which they were continually struggling to pay. Mrs X would benefit from being a member of a Credit Union.

Options

16. Initially we were proposing to pay for tenants' joining fees with an initial investment of up to £1,000. However in order to allow access to small loans at reasonable rates of interest sooner, a further investment is proposed as set out below. Without this further investment tenants would need to save regularly for at least 13 weeks and then take out a loan of up to 3 x their savings in order to get a small loan at a reasonable rate of interest. This additional investment is needed in order to help promote take up and if the Credit Union is to more quickly become a viable alternative to 'pay-day' lenders for tenants/leaseholders living in South Cambridgeshire.
17. An approximate use of the fund would be:
- Up to £1,000 to pay tenants/leaseholders joining fees of £3 per person.
 - Up to £1,000 to pay for pre-paid debit cards for tenants/leaseholders who lack a bank current account debit card at a cost of £5 per card issued.
 - Up to £1,000 for promotion or marketing initiatives aimed at promoting membership.
 - The remainder of the fund to be used for providing loans to tenants and paying administration fees for providing jam jar budgeting accounts (£60 per annum per tenant) which allow for benefits to be paid in and direct payments to SCDC for the rent.
18. This will be an important service when Universal Credit is introduced.

Implications

19. In the writing of this report, taking into account financial, legal, staffing, risk management, equality and diversity, climate change, community safety and any other key issues, the following implications have been considered:

Financial

20. The proposal includes a payment of £10,000 to the Credit Union.
21. The Council's Procurement Officer has proposed that a senior officer/authorised signatory complete a 'Contract Regulations Exemption Request Form' which has been completed.

Consultation

22. June 2014 - Rainbow Savers Credit Union presentation given to Tenant Partnership Group
23. October 2014 – Rainbow Savers Credit Union presentation given to SCDC staff
24. January 2015 – Tenant & Leaseholder Newsletter article promoting credit unions/Rainbow Saver Anglia Credit Union.

Effect on Strategic Aims

25. Aim 1 Corporate Plan Target 2015 - 2020 – Wellbeing - Ensure that the impact of Welfare Reforms is managed smoothly and effectively.
26. This proposal also ties in with two other main corporate target headings of Engagement and Partnerships.

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