

For General Release

REPORT TO:	Cabinet 18th September 2017
AGENDA ITEM:	7
SUBJECT:	Providing accessible financial services; “Croydon Plus” local Credit Union Update
LEAD OFFICER:	Graham Cadle, Director of Customer and Corporate Services Richard Simpson, Executive Director Resources & S151 Officer
CABINET MEMBER:	Councillor Mark Watson, Cabinet Member for Economy and Jobs Councillor Hamida Ali, Cabinet Member for Communities, Safety and Justice
WARDS:	All

CORPORATE PRIORITY/POLICY CONTEXT:

Continuing changes from welfare reform, and especially the recent impact of the changes to benefit cap and implementation of Universal Credit, the overall economic environment and rising local housing costs, continues to create increased pressures for residents’ finances. Ensuring residents, and especially those most at risk, have access to appropriate financial services and advice is a key factor in enabling independence and managing further demand on Council services. Many of those most vulnerable residents are unable to access mainline banking facilities and therefore can find themselves relying on very expensive pay day lenders which often leads to further pressures and issues. A healthy and locally focused Credit Bank is now providing more and more residents with a number of key services and support mechanisms across the Borough.

AMBITIOUS FOR CROYDON & WHY ARE WE DOING THIS:

The approach helps provide the right skills and tools that allow residents of Croydon to make their own financial choices live an independent life and grow their finances.

This work supports the commitment to tackle the cost of living crisis and specifically to support Croydon’s Credit Union as a people’s bank and a financial co-operative open to all. We have actively worked with and supported Croydon’s Credit Union as a people’s bank and an independent financial co-operative open to all. The councils support expands the Credit Union’s services, providing sustainable loans linked to membership of the Union and a commitment to save in the longer term. The offers are being linked into key council services such as the People’s Gateway and work with community groups in order to assist those most vulnerable in our community and provide a holistic approach to supporting independence.

The work assists to provide an alternative to payday loan companies, which are

causing great harm in our communities. We have stopped access to the main payday loan web sites from council-owned computers (for instance, in libraries) but continue to ensure smaller orgs are also blocked.

FINANCIAL IMPACT

There are no direct financial implications arising from this report.

Section 6 of this report details the financial input the Council has made to the credit union to date.

KEY DECISION REFERENCE NO.: Not a key decision

1. RECOMMENDATIONS

The Cabinet is recommended to note progress in supporting the local Credit Union, the range and level of support it is now providing and future plans.

2. EXECUTIVE SUMMARY

- 2.1 In recent years a significant number of Croydon residents have faced financial hardship and pressures, in many cases these have been acute. Alongside reductions in financial support and most recently the introduction of a further cap in benefits and universal credit as part of the governments of welfare reform, there have been increases in housing costs and pressures from unemployment and low wage income.
- 2.2 In many instances residents facing financial pressures are unable to access good financial support and facilities and can end up using services from organisations such as payday lenders, who charge very high fees and very often will then end up adding further significant pressures and issues. It is estimated that 2,000 of our most vulnerable residents do not have a bank account and therefore cannot accept BACS payments or make payment through direct debit which can reduce costs and charges.
- 2.3 As well as the effect on that resident and their family such situations can result in increased demand on scarce council resource and once situations become acute the options to assist often become more limited and take a longer period to rectify.
- 2.4 The implementation of Universal Credit has now in many cases required some of our most vulnerable residents to have bank accounts and to manage budgets with very different payment frequencies and values. As of June there were 19,205 Universal Credit customers in Croydon representing 35.63% of all cases in London.
- 2.5 The council continues to monitor the impacts on local people and to develop its approach to provide appropriate financial services in the best way for residents,

including approaches that encourage the community to save in a way that can utilise those funds to support its own local people.

- 2.6 Credit Unions are community banks that provide safe and cost-effective alternative to payday loan companies. They are owned by their members and regulated by the Financial Conduct Authority.
- 2.7 Established in 1999 – as Croydon, Merton and Sutton Credit Union – the current local service (now called CroydonPlus) is part of a movement that has been in existence for more than 150 years. Credit unions originated in Europe, and operate as cooperative community banks offering, in addition to savings accounts, loans at rates that are lower than their high-street bank competitors, payday companies and loan sharks.
- 2.8 A report was brought to this committee in March 2016, explaining the steps the council proposed to financially stabilise the CroydonPlus Credit Union, including a ring-fenced loan, financial support to develop its online service and a number of service targets aligned to local need which were to be driven by improved management and board arrangements. In deciding this approach the council had considered alternatives such as setting up a new organisation, or developing services with other banking institutions. Other options were more expensive and would have taken significantly longer to develop, leaving gaps in service provision to local residents.
- 2.9 Without the councils financial intervention at that time the credit union would have been closed down by the financial standards authority as its capital ratios were not adequate and the organisation had posted a loss of £56,998 for the previous financial year.

3. DETAIL

- 3.1 The council detailed its approach to financial inclusion in a paper endorsed by *Cabinet on 19th Jan 2015*;
- Ensuring customers have access to financial products; such as bank accounts and insurance
 - Educate and develop the skills for all residents to allow them to budget and manage money, or plan for the unexpected
 - Enabling people to make the most of their money through digital services
 - Ensuring there is access to affordable credit
 - Provide skills and opportunity to enter and own their future in employment
- 3.2 The opportunity and fairness commission's report issued in 2016 identified and supported the need for the right local services to "*support residents towards better times*" citing particularly how many residents told "*how they struggle to make ends meet because they have low paid or insecure jobs, debt, or a long term illness or disability. By taking employment, debt, benefits and other advice and support out into every part of the community, in GP practices, church halls, and community centres, and even door to door, far more can be done to help residents through tough times.*" To address this is suggested that "*debt consolidation, benefits and other advice is offered more extensively in the community with money wise training*

provided to those in debt or vulnerable to debt to help make Croydon a money wise borough.”

3.3 In 2016 we estimated over 2,000 of our most vulnerable residents did not have a bank account and therefore were likely to be unable to manage their finances effectively and not be able to benefit from opportunities such as reduced costs through payment by direct debit or accepting BAC’s payments. From the work with our customers at that time we estimated the below support was required across Croydon

Customer characteristic	Number of customers	Intensive support	Mild/Moderate support
Learning disability	250	30% (75)	70% (175)
Homeless	1,875	25% (469)	75% (1406)
Physically disabled	2,758	33% (910)	66% (1848)
English as second language	1,206	10% (121)	90% (1085)
Mental health	2,000	25% (500)	75% (1500)
Multiple complex needs	600	5% (30)	95% (570)
In temporary accommodation	2,887	10% (289)	90% (2598)
Total	11,783	2,393	9,390

Mild/Moderate support

need: typically relates to a blend of services, with a focus towards savings and/or debt consolidation. Could be comfortable to engage digitally or through face to face contact.

Intensive support: typically relates to a blend of services biased towards money management and budgeting support. This is likely to require face to face contact to support form filling and/or jam jar accounts, to create financial stability.

- 3.4 Customers who access payday loans typically have a basic income of nearly £4,000 below the national average (£17,100 pa) and 64% of loans made through those arrangements will not be paid on time and will therefore incur further charges. Whilst new regulations have limited the default charges for such loans, they are still considerably above alternatives such as local credit unions.
- 3.5 The ethos of the credit union is to provide banking facilities owned by the local community to provide affordable services and support to all. Therefore this facility is one to develop for all of our residents and to ensure the whole community feel they can access and utilise services, whilst supporting those with particular need.
- 3.6 Croydon is now further progressed in the roll out of Universal Credit than most of the country with over 19,000 UC customers in Croydon now on universal credit, representing 35.63% of all cases in London. In summary the new scheme has the below impact for individuals and families;
- the centralisation of all means tested welfare benefits under one title, universal credit (UC).
 - residents who are entitled to more than one benefit and currently receive multiple payments from different sources will be assessed through a single assessment and single payment mechanism.
 - residents will receive a single payment into a bank account each month, which is paid monthly in arrears
 - there will be a need to support residents through this transition and the impact that this may have on their financial stability
 - the Council have worked closely with (JCP) and developed a referral system, where it aims to identify vulnerable residents with medium or high support needs. These are residents who could be at risk of eviction, be in arrears, in debt or need assistance in financial management
 - a team of personal budgeting support officers are in place to support residents and prevent crisis. Officer's work with the whole family to deliver a tailor made, holistic support package on a variety of issues. Achieving financial stability includes support in opening and managing a bank account, budgeting support and debt advice as well as pathways to employment
- 3.7 As one of a number of workstreams to support local residents the council considered the best option and approach to develop the local credit union facility to meet the needs of residents and to ensure it has capacity to grow and support demand in the coming months and years. It identified a number of key criteria to ensure the service is fit for purpose;
1. Accessibility and timeliness of access to services,
 2. An approach that supports financial management and savings to reduce the requirement to borrow,
 3. Basic banking facilities such as accepting electronic payments and providing a payment card for all of the community,
 4. Affordable lending to provide an alternative to payday lenders
 5. Additional support and budgeting service for residents with more acute need.

- 3.8 At that time Croydon already has an active Credit Union service, with over 3,000 members that provided a service already integrated into the Access Croydon facilities. The Croydon, Sutton and Merton Credit union as it was known covered all 3 Boroughs.
- 3.9 However a number of improvements were identified for that service to better meet local demand and need and therefore the council worked with the Board and its management team to ensure it could work together effectively to provide the right service.

4. PROGRESS AGAINST ITS KEY TARGETS AND MEETING LOCAL PEOPLES NEEDS

- 4.1 The March 2016 paper detailed a number of key actions and performance measures to ensure the service can align and support the approach being taken by the council to support Croydon's residents and to address the specific pressures seen now and expected in the coming months and years.
- 4.2 The main objective of the improved service was to support residents with financial services, the below figures show the number of residents now benefits from the improved services;

	At commencement of improvement work - Nov 15	June 2017	Expected 2018
Membership	3,252	4,236 (+30%)	6,000
Junior members	164	175 (+7%)	330
Loans o/s	923	1,016 (+10%)	1,595
Pre-loaded cards	0	47	500
Jam Jar accounts	0	30	500

- 4.3 The last few months have seen over 70 new members a month, which confirms the speed of growth continues to improve. Alongside the number of members and loans to support residents, there have been significant improvement in key service targets that ensure members receive an appropriate and realistic level; for instance the average number of days to approve a loan has reduced from 12 to 7 in the past year.
- 4.4 Over the past 18months a number of key financial indicators have also improved which mean the credit union now has a stable financial base from which to take its services forward and to ensure a long-term solution and service offer;

	2015#	2016#
Annual Profit/(Loss)	(56,998)	44,907
General Reserves	6,395	51,203

#figures are reported at end of financial year as provided at AGM. As at July 2017 annual profit is forecast to be £34,388.

The paragraphs below detail the progress against each of the workstreams; contributing to the service improvements;

1. The delivery of the new website and provision of online membership, accounts and automated service facilities

The new site went live at the end of 2015, which also includes online membership and automated loan and account functions. The new site continues to be reviewed and improved but the table below show the impact of the new facilities

805 new members to date have joined online with 1309 of all members (30.8%) registering to use our online services.

The number of visitors to the website in May 2017 (latest figures) was 2,800, over 1,000 up on the same time last year (60% increase) and 1,600 up on Dec 2015 (over 200% increase).

2. Improved governance to continue to develop the service including the provision of 3 corporate members from Croydon onto the organisations board.

The make-up of the board has continued to develop and now provides a strong and balanced leadership for the organization. Croydon Council has provided 3 corporate members since Jan 2016; Cllr Shahul-Hameed, Mark Fowler (Director of Peoples Gateway and welfare) and Graham Cadle (director of customer and corporate services)

Sadly Rev Andrew Wakefield who was chair through in the initial improvements in 2015, passed away suddenly in 2016. The board have since gone through a recruitment process, which has seen Cllr Shahul-Hameed appointed as chair, alongside a new deputy chair. Further strengthening of the board with additional representation from Sutton Council is now also in place.

3. A review of the current management structure and key skills to deliver the new service offer and future development,

Following a thorough recruitment process the board were successful in appointing a new permanent manager into post in early 2016. The new post holder has a background in banking and brings a new focus on both governance, customer service and improving marketing and awareness across the Borough. He has been successful in increasing the number of volunteers working for the organization to assist with the increase in membership and speed up the processing of loans.

The manager reports into the board monthly and has been working closely with the chair to shape and drive the services. This was a key new role in the Business case on which the £100,000 council loan was provided.

The new management capacity has also been able to increase the number of volunteers and secure external funding (Credit Union Foundation Lloyds Development Grant) to support the development work and to fund marketing innovations, with further bids currently in process. Significant strengthening has taken place in credit control and debt recovery (bad debt collection has risen from (£10,978 in 2015 to £15,836 in 2016) to secure members capital and the financial standing of the organization. A review of the loan products currently offered is underway.

4. Improved marketing to ensure those most needing support are aware and able to access services. Including the re-branding of the service to “Croydon *Plus2*.”

The service was re-branded in early 2016 as part of a re-launch, alongside the new on-line services. Both the service team and members of the board support a number of marketing activities each month, developing a forward plan to ensure activity is focused across the community and aligned to seasonal pressures, such as in the build up to Christmas.

Activities include attendance at community events, articles in council and other community organisations communications and dedicated leaflets explaining the services and difference in loan costs the organisation provides.

The service are now also utilizing social media and working with schools to understand how they can support and raise awareness through young people.

5. Provision of a bank account offering payment cards, mobile banking and basic payment facilities

In Feb 2017 Croydon plus began offering the “Engage” account to members. This allows members to have better control of their money. Registered members have a debit card, can set up standing orders, make faster payments and have access to all via internet banking.

The council is working with the credit union and local residents to ensure take-up is targeted and sign-posted for the right residents who are often unable to access such services from the main banks

6. Further integration of the Credit Union service into the councils Access Croydon service, Gateway facilities and staff options (for those living in Croydon, Merton or Sutton).

The main integration has been through both the council’s customer services team, setting up as an integral part of Access Croydon, and the Peoples Gateway service, where those residents receiving support, who would benefit from membership, are supported to set up an account as part of their overall support arrangements.

As part of the integrated service approach and holistic support to residents, the Peoples Gateway have placed resources directly within the credit union to support those referrals and further align services, making a seamless and holistic support for our residents

7. The delivery of Jam Jar accounts to support specific residents in need of further support and aligned to the council's Gateway service. (When a member opens their Jam Jar Account, they will agree to have any benefits they may be receiving paid straight into the account which will then manage the funds, settle household bills, pay off debts and, at the same time, squirrel away a small percentage as savings.)

There are now around 70 residents utilising the Jam Jar type service, which sees the credit union manage their overall finances, arrange and negotiate debt repayment and develop the individual's skills for longer-term independence. That number is expected to reach 200 by the end of the calendar year.

- 4.5 Croydonplus continues to develop as a service and with the council in order to provide a valuable service to residents. Particular areas of focus for the forthcoming period include;
- a) Working with schools in increase awareness, signpost parents and increase financial management skills
 - b) Further marketing into and through community groups throughout the Borough to raise awareness and membership
 - c) Further improving the service offer through improved financial products, quicker loans processing and widened financial services
 - d) Increased number of residents utilising the service as part of wider Gateway support arrangements
 - e) Increasing performance against the key financial measures to ensure the stability of the organisation and to allow further expansion within required capital ratios. Ensuring there is not a requirement council financial support
 - f) Successful funding applications to assist speed and breadth of service improvement
 - g) Further development of online services – wider functionality, improved customer information and 24/7 service access

Customer cases to demonstrate the benefit of the service

In order to further demonstrate the impact these services are having on people's lives the below examples have come directly from individuals utilising the services available. There are now over 50 residents with access to banking facilities that previously were unable to do so and for which that has been critical in respect of their move to Universal Credit.

Case study 1:

X presented as homeless and had become unemployed as a result of illness. They applied for Universal Credit but were unable to obtain the benefits as they did not have bank account.

They were unable to open an account as they did not have photo I.D. Despite making the UC claim again the claim was closed down as they failed to attend the claimant commitment appointment. Their income officer provided support and referred them to the Credit union and they were able to open a bank account. From this their universal credit was sorted and the Credit Union helped with their ID documents. The Universal Credit payments are now paid directly into their credit union account both service and rent charges are paid through that.

Case study 2

Y was placed in emergency accommodation by the Council after losing her home and being hospitalised.

At this time they had no bank account that could be used and was unable to open any because of actions by Creditors.

They were living on Employment Support Allowance but needed to claim universal credit to cover rent/service charge for the emergency accommodation. However in order for this to be considered a bank account is needed for any award to be paid to.

Within 3 days, Enablement and Welfare Officers helped them not only with Universal Credit claim but also assisted in opening a credit union account. At the same time a request was made for a Credit Union engage card to assist them to manage their own finances.

Once the service charge/rent has been paid from the UC payments which go direct to the credit union account, any surplus funds can be transferred to the engage card thus enabling the customer to have access to available money through basic banking services unavailable to this individual through main high street banks.

The UC claim was duly processed and for the last 5 months they have regularly made payments to the rent account thus securing placement in the accommodation. They continue to maintain a credit balance on both the credit union and engage accounts

5. CONSULTATION

5.1 There is no further consultation required

6 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

REVENUE AND CAPITAL CONSEQUENCES

6.1 There are no direct revenue or capital implications identified in this report.

In 2015 the council provided a ring-fenced loan of £100k to provide the Credit Union with the required level of capital to enable it to continue to provide a service.

Additionally the council provided a one off £25k to facilitate the set-up of online services and a new service offer.

- 6.2 The Credit Unions financial position is currently stable and they continue to develop their strategy to enable the Union to stand alone from the Council.

The work of the credit union is a key method of support for some of the councils most vulnerable residents and therefore if services are not aligned to local needs, the council will see further pressures from areas including : homelessness and benefits support.

RISKS

- 6.3 There is a risk that the Credit Union will not deliver against its business plan. The steps outlined in the report should mitigate this risk. Any small change to anticipated surpluses will only slightly delay the repayment of the loan.

(Approved by: Lisa Taylor, Director of Finance, Investment and Risk)

7. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

- 7.1 The Council Solicitor comments that there are no direct legal considerations arising from the recommendations within this report.

(Approved by Interim Manager Corporate Legal Team for and on behalf of Jacqueline Harris-Baker, Director of Law and Monitoring Officer:.)

8. HUMAN RESOURCES IMPACT

- 8.1 There are no direct or immediate Human Resources considerations arising from this report for Croydon Council staff or workers.

(Approved by: Sue Moorman, Director of Human Resources)

9 EQUALITIES IMPACT

- 9.1 The new service provides financial facilities for residents across the borough and for all protected groups. It specifically supports those for which it is harder to access basic banking facilities and where budget management and financial stability is more difficult or acute. This is one of a number of workstreams to improve financial inclusion and support.
- 9.2 One of the council's equality objectives is to make Croydon a place of opportunity and fairness by tackling inequality, disadvantage and exclusion and this is one of a number of workstreams aimed at improving financial inclusion for people from different protected characteristics. The Opportunity and Fairness Commission identified financial exclusion as a particular issue. In addition income deprivation is a significant issue found Index of Multiple Deprivation particularly wards in the north and east of the borough. The council will ensure the access to this service is regularly monitored and will conduct a review to determine the equality impact.

9.3 The credit union itself ensures its services provide appropriate accessibility and the new governance arrangements that include corporate membership on the Board from the council assists in shaping that alongside other workstreams

10. ENVIRONMENTAL IMPACT

10.1 Not applicable for this report.

11. CRIME AND DISORDER REDUCTION IMPACT

11.1 Not applicable for this report.

12. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

12.1 To advise members on the approach and expected benefits of the work

13. OPTIONS CONSIDERED AND REJECTED

13.1 The report in March 2016 outlined the options and why the development of the local credit union was progressed

CONTACT OFFICER: Graham Cadle, Director of customer and corporate services

BACKGROUND PAPERS: none