

Report of	Meeting	Date
Chief Executive (Introduced by the Executive Member for Resources, Policy and Performance)	Executive Cabinet	12 September 2013

CHORLEY'S CREDIT UNION – BUDGET INVESTMENT UPDATE

PURPOSE OF REPORT

1. This report is provided to update Members on the progress of the budget investment item to develop a Credit Union. It also provides the proposed governance arrangements for on-going monitoring, which are presented for approval by the Executive.

RECOMMENDATION

2. It is recommended that the governance arrangements at paragraph 14 and 15 are implemented to monitor the progress of Chorley's Credit Union towards self sustainability.

EXECUTIVE SUMMARY OF REPORT

3. This report provides some background to the development of Chorley's Credit Union, and gives Members an update on the progress made since February 2013. As the Chorley's Credit Union is now fully operational from a town centre premises, it proposes governance arrangements which will enable the Council to monitor the delivery of the Credit Union.

Confidential report Please bold as appropriate	Yes	No
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Key Decision? Please bold as appropriate	Yes	No
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REASONS FOR RECOMMENDATION

(If the recommendations are accepted)

4. The recommendation is proposed to enable the Council to monitor the delivery of the £150,000 investment made into Chorley's Credit Union and to ensure that it is self-sustainable by the end of the three year investment period.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

5. Not to implement governance arrangements would mean that the Council does not have the ability to clearly manage and monitor progress of the Credit Union.

CORPORATE PRIORITIES

6. This report relates to the following Strategic Objectives:

Involving residents in improving their local area and equality of access for all		A strong local economy	x
Clean, safe and healthy communities		An ambitious council that does more to meet the needs of residents and the local area	x

BACKGROUND TO CHORLEY'S CREDIT UNION

7. Credit Unions enable people to save as well as offering low cost loans. They are owned and run by members and provide annual dividends back to its members, as well as providing a safe and ethical place to borrow from. This is particularly important considering the changes taking place within the welfare system and the impact we know this will have on our residents.
8. By supporting the Credit Union, we can enable residents to get support with opening bank accounts, budgeting and preparing for the effect of welfare changes. It is a form of early intervention that will save all public bodies money in the long term, by preventing residents from accumulating large debts from pay day loan companies or from going into arrears.
9. Chorley Council decided to invest in developing a Credit Union for the borough. On 28th February 2013, the Council agreed to invest £150,000 (£50,000 per year for three years) which will underwrite the set up costs to enable this intervention to be sustainable in the long term.
10. Following this three year investment, the Credit Union will have generated enough income through loans and savings to enable the business to be self-sustaining and cover their running costs.

PROGRESS MADE

11. Since the budget investment was made in February, Chorley Council have worked with the Board and officers of Unify Credit Union to develop Chorley's Credit Union. Unify are a well-established credit union, already working in Wigan and Leigh, and have established themselves in Chorley with in kind support from the Council. They have the infrastructure and expertise to deliver this service for the benefit of Chorley's communities.
12. The following actions have been delivered;
 - a. Chorley's Credit Union is now fully operational in a town centre location. The Market Street base opened on 4th August 2013 and is now open to customers six days a week.
 - b. Officers have worked with the Credit Union to set up the service as a viable alternative to other lenders within the town. This has included support with branding and marketing as well as revamping their publicity material.
 - c. The three year business development plan has been developed which demonstrates the performance the Credit Union must achieve in years one, two and three to become self sustainable. The contractual arrangements have been completed based on this development plan.
 - d. Work is underway to develop links to other partner agencies within the borough. Discussions are on-going with the Lancashire Teaching Hospitals to make it the

preferred Credit Union for their employees. Some housing providers are starting to engage in the process, with Contour Homes and Accent offering to provide small financial contributions.

GOVERNANCE ARRANGEMENTS

13. As Chorley's Credit Union starts to deliver the benefits as set out in the business development plan, there is a need to agree the governance arrangements through which we can monitor the financial support the Council has provided for the service. This will ensure that the Credit Union is working towards being self sustainable by year three (2016/2017).
14. It is proposed that a committee is set up to monitor the progress of delivery -'Chorley's Credit Union Governance Group' will be established. The remit of this group will be to monitor progress against the contract and the business development plan. The representation will be;
 - a. Chorley Council, Chief Executive
 - b. Chorley Council, Executive Member for Resources, Policy and Performance
 - c. Unify Credit Union, General Manager
 - d. Unify Credit Union, Board representative
 - e. Contour Homes officer representative
 - f. Accent officer representative
15. The representation of this group includes representatives from the two housing providers who have made financial contributions to the set-up of the Credit Union, Contour Homes and Accent at a total contribution of £3000 each over three years. In return for this contribution they will receive preferential benefits for their tenants.
16. The group will meet on a quarterly basis, with meeting dates scheduled to following the completion of the quarterly monitoring reports provided by Unify. They will commence from the end of quarter two with meetings scheduled for October, January and May for year one.
17. Based on the monitoring information provided by Unify, the governance group will confirm that they are able to receive the next years funding allocation.

MONITORING INFORMATION

18. The contract signed with Unify contains monitoring information which will track performance in the following areas;
 - The number of members joining from within Chorley (number)
 - The number of saver loans granted to those members (number)
 - The number of smart loans granted to those members (number)
 - The value of saver loans granted to those members (£)
 - The value of smart loans granted to those members (£)
 - The value of income generated by all loans (£)
 - The amount of savings generated by members (£)

- The dividend (equivalent of interest) paid (%)
- Overall financial benefit – comparison between interest payable on credit union loans compared to that of typical pay day lender (£)
- Numbers of local volunteers (number)

19. The targets that have been set against these indicators reflect the business that the Credit Union needs to turnover in order to be sustainable within three years. These projected figures are detailed in the following table.

	Year 1	Year 2	Year 3	TOTAL
New Savers	315	370	450	1135
Number of Saver Loans	230	410	506	1146
Value of Saver Loans	£74,000	£175,250	£288,000	£537,250
Interest on Saver Loans	£3,177	£12,045	£25,191	£40,413
Value of Savings	£55,775	£130,950	£240,275	£427,000
New Smart Loan Members	416	416	416	1248
Number of Smart Loans	624	1040	1456	3120
Value of Smart Loans	£249,600	£416,000	£582,400	£1,248,000
Interest on Smart Loans	£23,013	£69,835	£119,081	£211,929
Value of Savings from Smart Loan Members	£23,456	£66,720	£109,984	£200,160
Total Anticipated Income	£26,190	£81,880	£144,272	£252,342

20. The products in this table relate to the Saver Loan and Smart Loan. The Saver Loan is offered to members after 10 weeks of savings for loans up to £10,000, and interest is charged at 12.7% APR. The Smart Loans are issued to members with no savings history for loans up to £500 and interest is charged at 26.8% APR.

21. The typical periods of repayment for a loan are 12 months for the Smart Loans and up to 3 years for the Saver Loans. The delinquency rates for loans that are not repaid are between 5% - 6% across the whole Credit Union, and they have stringent processes in place to ensure that loans are recovered.

22. This is the information that the Chorley's Credit Union Governance Group will monitor on a quarterly basis.

IMPLICATIONS OF REPORT

23. This report has implications in the following areas and the relevant Directors' comments are included:

Finance	x	Customer Services	
Human Resources		Equality and Diversity	
Legal	x	Integrated Impact Assessment required?	
No significant implications in this area		Policy and Communications	

COMMENTS OF THE STATUTORY FINANCE OFFICER

24. The report sets out the Councils' arrangements in terms of financing the project, which was approved at budget Council in March 2013. The Governance arrangements are key to ensure that the journey towards self-sufficiency is achieved.

COMMENTS OF THE MONITORING OFFICER

25. Given the support and involvement of Chorley with the Credit Union governance arrangements of this type are appropriate.

GARY HALL
CHIEF EXECUTIVE

Background Papers			
Document	Date	File	Place of Inspection
General Fund Revenue and Capital Budget and Council Tax 2013/14 Report	28 th February 2013	http://democracy.chorley.gov.uk/mglssueHistoryHome.aspx?IId=29392	Council Website

Report Author	Ext	Date	Doc ID
Sarah James	5779	12 th August 2013	Chorley's Credit Union – Budget Investment Update