

DERBYSHIRE COUNTY COUNCIL**MEETING WITH CABINET MEMBER, HEALTH AND COMMUNITIES****30 September 2014****Report of the Director of Public Health****PAYROLL DEDUCTION FOR EMPLOYEES WISHING TO JOIN A CREDIT UNION****1 Purpose of the Report:**

To seek approval from the Cabinet Member, Health and Communities, for a payroll deduction facility from salary for Authority employees wishing to join a local credit union.

2 Information and Analysis:

Credit Unions are co-operatives with strong community links which are owned and run by their members. The key financial services offered by credit unions are secure savings and affordable loans. Credit unions are playing an increasingly important role in supporting people by providing access to affordable credit in times of difficulty and by encouraging saving.

Most of the Derbyshire population now has access to a credit union with five operating across the county, as follows:

- 2 Shires Credit Union (Bolsover)
- Chesterfield and North East Derbyshire Credit Union
- Erewash Credit Union (Amber Valley, Erewash and shortly Derbyshire Dales)
- Manchester Credit Union (High Peak)
- Money Spider Credit Union (South Derbyshire)

At its meeting on 30 July 2013, Cabinet approved a grant fund of £300,000 from the Public Health budget for “instant access” loans managed by credit unions. This initiative supports the Authority’s commitment to addressing anti-poverty and specifically, financial inclusion. A further £60,000 was approved on 07 October 2013 to support the administration of instant loans through a revenue budget of an additional 20%.

On 15 July 2014, Cabinet approved development funding for three of the credit unions from the Public Health Resource Fund. This is to

enable the expansion of credit union services to areas of the county that are currently underprovided. The grants approved are as follows:

1. Development worker for Chesterfield and NED Derbyshire to meet exponential demand @ £12,500 a year for 2 years
2. Development into Derbyshire Dales which currently has no credit union provision @ £30,984 a year for 2 years
3. Website to enable online joining and administration of savings and loans across the county - one-off cost @ £44,188
4. Social marketing insight and campaign to inform best approach for reaching and engaging target groups in outreach areas across the county – one off cost @ £30,000

In addition to the support for local credit unions described above, Derbyshire County Council is keen to support the development of the County's credit unions in other ways. The offer of a payroll deduction facility for County Council employees to join and save with a credit union would benefit our employees, the credit unions and the County Council.

Benefits for employees include:

- In joining a credit union employees will be supporting a local co-operative that supports its members and encourages financial inclusiveness and financial confidence.
- Credit unions are not only for people on low income – they are often a sound financial choice for everyone.
- A payroll deduction offer to employees may encourage them to develop a savings habit.
- Some credit unions will 'buy' out members' pay day loans so that members can repay their loan to the credit union at significantly lower interest rates and without the stress and harassment that many payday lenders subject their customers to.
- Credit union members are eligible to receive an annual dividend on their savings in each year that members vote together for a dividend. Dividends are paid at the same rate for all savers. Where credit unions are paying dividends, they are currently between 1%-2.5% a year which is equivalent to easy access cash savings accounts at banks.
- Money held with a credit union is safe. Credit unions in England, Scotland and Wales are regulated by the Financial Conduct Authority (FCA) and Prudential Regulatory Authority (PRA). This means credit unions have to meet certain standards and the FCA has to approve the members managing the credit union. As a

member of the Financial Services Compensation Scheme (FSA No 213666) members' deposits are protected up to £85,000 per individual account holder.

Benefits for credit unions include:

- Saving by payroll deduction costs the credit union less than saving by direct debit, standing order, over-the-counter payments and cheques.
- A payroll deduction offer from a large employer such as Derbyshire County Council has the potential to significantly increase the capital received by a credit union. This enables the credit union to make more loans to people who need them, so increasing safe and affordable borrowing and decreasing the number of local people who resort to payday lenders and loan sharks. There are approximately 30,000 people on the Council's payroll. So, for example, 1% of employees saving £25 a month will generate £90,000 for local credit unions. With an average credit union loan of £400, this would allow an additional 225 loans to be made to individuals and families in need.
- Some employees may choose to volunteer at their local credit union, or encourage family and friends to do so.
- Payroll deduction will help to ensure the long-term sustainability of our local credit unions.

Benefits for Derbyshire County Council include:

- A new low-cost way of supporting employees in difficult financial times.
- Another way in which we can support our local credit unions.
- An opportunity to support the local economy by keeping money in circulation locally rather than it being extracted by large national and international financial institutions (for example, Wonga is a US company).
- Promoting and protecting health, especially mental health, by reducing the stress and anxiety caused by unaffordable and unsafe debt amongst employees, who may have payday loans, and in the community in general.

3 Financial Considerations:

The cost of developing SAP to accommodate payroll deductions from salaries can be accommodated within the Shared Services Centre budget. There will be a modest financial requirement for promotional material which will be found from the Public Health budget.

4 Human Resource Considerations:

Informal discussions with trade union representatives indicate a supportive response.

5 Other Considerations:

In preparing this report the relevance of the following factors has been considered: prevention of crime and disorder, legal, equality of opportunity, environmental, health, personnel and property considerations.

6 Key Decision:

No

7 Call-In:

Is it required that call-in be waived in respect of the decisions proposed in the report?

No

8 Background Papers:

Cabinet Report 30 July 2013

Cabinet Report 07 October 2013

Cabinet report 15 July 2014

9 Officer's Recommendation:

To approve a payroll deduction facility for employees to save with local credit unions to commence by November 2014.

Elaine Michel
Director of Public Health