

**DERBYSHIRE COUNTY COUNCIL
IMPROVEMENT AND SCRUTINY COMMITTEE – RESOURCES**

25 September 2014

**Report of the Chair of the Improvement and Scrutiny Committee –
Resources**

Review of Credit Unions – Progress report

1. Purpose of the Report

To inform Members of the progress made by the working group of the review of Credit Unions

2. Information

The working group held its first meeting on 10 September with Julie Hirst (the County Council's lead officer for supporting the work and services of local Credit Unions). Julie attended the meeting to give background information on the 5 Credit Unions (CUs) currently operating in the county, the challenges they faced and the benefits they offer to local communities.

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)

It was noted that Public Health funding was provided to support CUs. This was considered a logical funding source because poverty was considered a causal factor in many ill-health conditions, particularly mental ill-health and associated issues such as alcohol and substance misuse.

Grant Funding to Credit Unions

At its meeting on 30 July 2013, Cabinet had approved a grant fund of £300,000 from the Public Health budget for “instant access” loans managed by Credit Unions. This initiative supported the Authority’s commitment to addressing anti-poverty and specifically, financial inclusion.

Following the Cabinet decision, proposed criteria was drawn up to manage the allocation of the fund to the Credit Unions, as follows.

- Need, based on the number of Lower Super Output Areas (LSOA’s) within the district(s) area covered by the Credit Union which are within the 20% most deprived, based on the Index of Multiple Deprivation (IMD) Income Deprivation indices.
- Cash in reserves
- Secure revenue funding
- Current and projected membership growth
- Track record of managing loan schemes
- Capacity to manage the loan fund.

An additional £60,000 from the Public Health budget was agreed by Cabinet in October 2013 to provide a one-off revenue grant of 20% of the Fund being administered by a Credit Union towards additional running costs.

On 15 July 2014, Cabinet approved development funding of £117,672 from the Public Health Resource Fund to enable the expansion of credit union services to areas of the county that are currently underprovided. The grants contributed to:

- Development for Chesterfield and NED Derbyshire to meet exponential demand
- Development in Derbyshire Dales which currently has no credit union provision
- Website to enable online joining and administration of savings and loans across the county
- Social marketing insight and campaign to inform best approach for reaching and engaging target groups in outreach areas across the county

The latest initiative currently being developed is to offer a payroll deduction facility for County Council employees to join and save with a credit union. A report on this initiative will be submitted to Cabinet for approval on 30 September.

As well as gathering the above information on the Credit Unions operating in Derbyshire, the working group meeting offered an opportunity for Members to

determine the direction of travel for the review, and identify further key “witnesses” to invite to participate in the review.

It was agreed that;

- A working group site visit would be arranged with Manchester CU to one of their High Peak locations to see them in operation and speak to service users.
- All local CUs be invited to meet with the working group to discuss their work and future development
- CU service users are invited to meet with the working group to enable Members to get an insight into the value of CUs – and any barriers people face in accessing or using their services.
- Key witnesses, who worked with people in poverty and at risk of using expensive loan services, would be invited to meet with the working group to assess the need for alternative financial support options and to give information on how services should be developed. Three witnesses had already been identified from the County Council's Welfare Rights Team, the Citizens' Advice Bureau (CAB) and the regional area Illegal Money Lending Team.
- Local businesses, Churches and other organisations be approached to ascertain the potential for contributions to funding CUs across the county.

3. Considerations

In preparing this report the relevance of the following factors has been considered: financial, human relations, legal and human rights, prevention of crime and disorder, equality and diversity, environmental, health, property and transport considerations.

4. Officer's Recommendations

The Committee is requested to note the progress made in the review of Credit Unions and the continued programme of investigation.

Councillor Clive Moesby

Chair of the Improvement and Scrutiny Committee - Resources