

SLOUGH BOROUGH COUNCIL

REPORT TO: Cabinet **DATE:** 14th June 2010

CONTACT OFFICER: Patrick Kelleher, Assistant Director, Public Protection
(For all enquiries) (01753) 875211

WARD(S): All

PORTFOLIO: Leader, Finance and Strategy - Councillor Anderson,
Performance & Accountability - Councillor AS Dhaliwal

PART I **NON-KEY DECISION**

BERKSHIRE WIDE CREDIT UNION

1 Purpose of Report

To update Cabinet on work which is currently on-going to create a Berkshire Wide Credit Union, namely, Community Savings and Loans Ltd and to reaffirm previous commitments of support through the provision of grant funding and support in kind.

2 Recommendation

The Cabinet is requested to resolve:

- (a) That the work currently in hand to create a Berkshire Wide Credit Union, complete with "Slough Branch" which will provide a savings, and a low cost loans facility for those residents who find themselves financially excluded be noted and
- (b) To reconfirm previous commitments of support made by the local authority, namely:-
1. A grant of £10,000 per annum, for each of the first 3 years, to help fund initial start up costs (this figure may need to be revised following a meeting of all 6 Berkshire Unitaries on 17 June)
 2. The provision of low cost office accommodation, ideally at My Council for use by borrowers and savers
 3. Marketing and publicity
 4. Employee payroll deduction

3 Community Strategy Priorities

- **Celebrating Diversity, Enabling inclusion**

Community Savings and Loans Ltd will be provide a range of financial products, including products designed specifically to meet the needs of those on low income who might otherwise face financial exclusion.

- **Being Safe, Feeling Safe**

Residents unable to access borrowing through traditional providers may fall prey to Illegal Money Lenders who charge extortionate interest rates and revert to

violence and intimidation to secure payment. Defaulters may be tempted into criminal activity in order to fund the extortionate charges.

- **Prosperity for All**

A local Credit Union has the potential to lift the most vulnerable disadvantaged members of our community out of poverty through the provision of low cost loans linked to saving for the future.

4 **Other Implications**

(a) Financial

Credit Unions require public sector support during their initial set up stage and during the early years prior to profitability. As a consequence there will be modest costs to the local authority but these are significantly outweighed by the anticipated benefits to our community.

It is proposed that a member of the Finance Team will critically review and offer comment on the Business Plan.

(b) Risk Management

Community Savings and Loans will be a limited company, and as such, there will be no direct risks to the local authority.

All 6 Berkshire Unitaries and many of the larger Registered Social Landlords have committed in principle to supporting the creation of a Berkshire Wide Credit Union.

It should be noted that there are significant individual and community benefits to be realised through the provision of support to the financially excluded.

(c) Human Rights Act and Other Legal Implications

There are no Human Rights Act Implications.

(d) Equalities Impact Assessment

This proposal will benefit all sections of our community.

(e) Workforce

Staff will be given the opportunity for payroll deduction should they wish to save with the Credit Union.

5. **Supporting Information**

- 5.1 The work of a volunteer group to establish a local credit union has been on going for some little time, with a recent decision taken to enter into partnership with the Reading Credit Union and extend the “Common Bond” County wide.

Discussions are currently on going with each of the Berkshire Unitaries with a view to developing a “local branch” network in each of the 6 areas. A round table meeting of all 6 Unitaries is scheduled for the 17 June to discuss shared financial support and

governance arrangements. A similar meeting is also planned with the major Social landlords across the County. A further report will be taken to Cabinet should additional funding needs be identified as a consequence of these meetings.

- 5.2 A formal application to extend the “common bond” is currently with the Financial Services Authority for consideration and is, we believe, likely to receive approval over the coming weeks, paving the way to a formal launch of Community Savings and Loans Ltd in the autumn.

Business and Investment Plans (copies available in the Members Room) have been produced showing the potential to reach profitability by year 4, with governance achieved through an appointed Board.

In anticipation, a pre-launch event was hosted at the Town Hall on 21 May with representatives from key voluntary and community groups, and also attended by Fiona Mactaggart, MP.

5.3 Loan Capital

Discussions are currently ongoing with the Department for Work and Pensions to secure a one off grant payment of £50,000 to assist the creation of a loans facility in Slough.

Loan capital will also be secured through requiring borrowers to become savers for a qualifying period before becoming eligible to borrow. In addition, large employers in the town, including the local authority, will be asked to offer a payroll deduction facility to help employees become savers and investors with the Credit Union.

5.4. Sharia Compliant Service

The 2001 Census data shows a resident Moslem population in Slough of 4,500 people who may see the development of a credit union as a means to access Sharia compliant financial services, which are regulated and safe.

5.4 Benefits to local residents

- Creates an ethos of saving amongst members – giving a safety net against unexpected expenditure
- Providing access to a Credit Union for those without bank accounts will facilitate the payment of bills, provide access to lower fuel costs and help reduce transaction fees
- Provides access to competitive and flexible sources of credit
- Reduction in the need to use loan sharks, doorstep lending companies¹
- Improves financial literacy and money management skills

5.5 Benefits for Slough

- 70% of financially excluded individuals live in social housing. Increasing financial inclusion can reduce rent arrears resulting in greater cash flow and reduced financial write-off, and the costs savings associated with lower court notices, evictions and ongoing staff administration.²

² See Transact (2007) *Making the link: The business case for social landlords investing in financial inclusion* London: Toynbee Hall.

- Will help demonstrate a commitment to financial inclusion.
- Maximises take-up to residents of affordable financial services, and could reduce transaction costs on rent payments

5.6 Wider benefits

- A Credit Union can help stimulate the local economy as new lending capital is made available to consumers and entrepreneurs
- Offers a way of delivering the Savings Gateway, maximising the assets of poorer residents.
- Offers an employee benefit through payroll deduction schemes. Can reduce financial pressure on staff by encouraging them to save for the future

6 Conclusion

The creation of a local Credit Union will help ensure that low cost loans are available to those members of our community who might otherwise be financially excluded. It has the potential to prevent the vulnerable becoming prey to illegal money lenders and will encourage the development of a savings culture to help individuals become financially secure.

7 Background Papers

1. Berkshire Credit Union - the business case for investing in Slough, November 2009
2. Investing in Community Savings and Loans – March 2010