

Agenda

www.oxford.gov.uk



Finance Panel (Panel of the Scrutiny Committee)

Date: **Thursday 30 June 2016**

Time: **5.30 pm**

Place: **Plowman Room - Town Hall**

For any further information please contact:

Andrew Brown, Scrutiny Officer

Telephone: 01865 252230

Email: abrown2@oxford.gov.uk

As a matter of courtesy, if you intend to record the meeting please let the Contact Officer know how you wish to do this before the start of the meeting.

Finance Panel (Panel of the Scrutiny Committee)

Membership

Councillor James Fry
Councillor Jean Fooks
Councillor Sian Taylor
Councillor Craig Simmons

HOW TO OBTAIN A COPY OF THE AGENDA

In order to reduce the use of resources, our carbon footprint and our costs we will no longer produce paper copies of agenda over and above our minimum requirements. Paper copies may be looked at the Town Hall Reception and at Customer Services, St Aldate's.

A copy of the agenda may be:-

- Viewed on our website – mycouncil.oxford.gov.uk
- Downloaded from our website
- Subscribed to electronically by registering online at mycouncil.oxford.gov.uk

AGENDA

Pages

1 APOLOGIES

Substitutes are not allowed.

2 ELECTION OF FINANCE PANEL CHAIR FOR 2016/17

The Panel is asked to elect a Chair for the Council year 2016/17.

The Chair must be a member of the Scrutiny Committee and can be from any political group.

If the Panel is unable to elect a Chair for the year (i.e. in the event of a tied vote), this decision will be referred to the next meeting of the Scrutiny Committee.

3 DECLARATIONS OF INTEREST

4 WORK PLAN

For the Panel to note and agree its work plan, which can be adjusted to reflect the wishes of the Panel.

The scrutiny work plan includes a number of items for Finance Panel meetings that have been referred to the Panel by the Scrutiny Committee for consideration during the year.

7 - 18

5 BUDGET MONITORING - 2015/16 QUARTER 4

Report contact: Nigel Kennedy, Head of Financial Services;
nkennedy@oxford.gov.uk

19 - 54

Background Information
The Integrated Performance Report for quarter 4 2015/16 sets out the Council's financial position at the end of 2015/16 (31 March 2016). The recommendations in the report were agreed by the City Executive Board on 16 June 2016.
Why is it on the agenda?
For the Panel to note and comment on the Council's financial outturn at the end of the 2015/16 financial year.
Who has been invited to comment?
<ul style="list-style-type: none">• Nigel Kennedy, Head of Financial Services;• Anna Winship, Management Accountancy Manager.

6 CREDIT UNION SERVICES

55 - 112

Report contact: Paul Wilding, Revenue & Benefits Programme Manager,
pwilding@oxford.gov.uk

Background Information
At its previous meeting on 7 April 2016 the Panel considered an evaluation of Credit Union Services in Oxfordshire and spoke with representatives of Oxfordshire Credit Union. The Panel agreed to arrange a follow up item and to consider the Council's response to the evaluation report recommendations.
Why is it on the agenda?
For the Panel to continue to consider credit union services in Oxfordshire including the Council's response to the evaluation report. The Panel may wish to agree one or more recommendations to put to the City Executive Board.
Who has been invited to comment?
<ul style="list-style-type: none">• Cllr Susan Brown – Board Member for Customer & Corporate Services;• Paul Wilding – Revenue & Benefits Programme Manager.• David Soward – Chair, Oxfordshire Credit Union;• Sue Tanner – Secretary, Oxfordshire Credit Union;• Jim Hewitt – Treasurer, Blackbird Leys Credit Union;

7 NOTES OF PREVIOUS MEETING

113 - 118

For the Panel to note the record of the meeting held on 7 April 2016.

8 FUTURE MEETING DATES

Meetings are scheduled as follows:

8 September 2016
8 December 2016
16 January 2017
1 February 2017
29 March 2017

All meetings start at 5.30pm.

DECLARING INTERESTS

General duty

You must declare any disclosable pecuniary interests when the meeting reaches the item on the agenda headed "Declarations of Interest" or as soon as it becomes apparent to you.

What is a disclosable pecuniary interest?

Disclosable pecuniary interests relate to your* employment; sponsorship (ie payment for expenses incurred by you in carrying out your duties as a councillor or towards your election expenses); contracts; land in the Council's area; licences for land in the Council's area; corporate tenancies; and securities. These declarations must be recorded in each councillor's Register of Interests which is publicly available on the Council's website.

Declaring an interest

Where any matter disclosed in your Register of Interests is being considered at a meeting, you must declare that you have an interest. You should also disclose the nature as well as the existence of the interest.

If you have a disclosable pecuniary interest, after having declared it at the meeting you must not participate in discussion or voting on the item and must withdraw from the meeting whilst the matter is discussed.

Members' Code of Conduct and public perception

Even if you do not have a disclosable pecuniary interest in a matter, the Members' Code of Conduct says that a member "must serve only the public interest and must never improperly confer an advantage or disadvantage on any person including yourself" and that "you must not place yourself in situations where your honesty and integrity may be questioned". What this means is that the matter of interests must be viewed within the context of the Code as a whole and regard should continue to be paid to the perception of the public.

*Disclosable pecuniary interests that must be declared are not only those of the member her or himself but also those of the member's spouse, civil partner or person they are living with as husband or wife or as if they were civil partners.

This page is intentionally left blank

SCRUTINY WORK PLAN

June 2016 - April 2017

Published on: 20/06/16

7 The Scrutiny Committee agrees a work plan every year detailing selected issues that affect Oxford or its inhabitants. Time is allowed within this plan to consider topical issues as they arise throughout the year as well as decisions to be taken by the City Executive Board. This document represents the work of scrutiny for the remainder of the 2016-17 council year and will be reviewed monthly by the Scrutiny Committee.

The work plan is based on suggestions received from all elected members and senior council officers. Members of the public can also contribute topics for inclusion in the scrutiny work plan by completing and submitting our [suggestion form](#). See our [get involved webpage](#) for further details of how you can participate in the work of scrutiny.

The following criteria will be used by the Scrutiny Committee to evaluate and prioritise suggested topics:

- *Is the issue controversial / of significant public interest?*
- *Is it an area of high expenditure?*
- *Is it an essential service / corporate priority?*
- *Can Scrutiny influence and add value?*

Some topics will be considered at Scrutiny Committee meetings and others will be delegated to two standing panels. Items for more detailed review will be considered by time-limited review groups.

The Committee will review the Council's [Forward Plan](#) at each meeting and decide which executive decisions it wishes to comment on before the decision is made. The Council also has a "call in" process which allows decisions made by the City Executive Board to be reviewed by the Scrutiny Committee before they are implemented.

Scrutiny Committee and Standing Panel responsibility and membership




Committee / Panel	Remit	Nominated councillors
Scrutiny Committee	Overall management of the Council's scrutiny function.	Cllrs Azad, Chapman, Coulter, Fry, Gant (Chair), Hayes, Henwood, Pegg, Simmons, Taylor, Tidball & Wilkinson
Finance Panel	Finance and budgetary issues and decisions	Cllrs Fooks, Fry, Simmons & Taylor
Housing Panel	Strategic housing and landlord issues and decisions	Cllrs Goff, Henwood, Pegg, Sanders, Thomas & Wade

Current and planned review groups

Topic	Scope	Nominated councillors
Budget Review 2017/18	To review the Council's 2017/18 draft budget and medium term financial strategy	Cllrs Fooks, Fry, Simmons & Taylor
Devolution plans for Oxfordshire	TBC	TBC
Review 3 TBC	TBC	TBC

Indicative timings of 2016/17 review panels

Scrutiny Review	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March	April	May
Devolution plans for Oxfordshire	Scoping	Evidence gathering	Evidence gathering	Reporting						
Budget Review 2017/18		Scoping	Evidence gathering	Evidence gathering	Reporting					
Review 3 TBC				Scoping	Evidence gathering	Evidence gathering	Reporting			

	Scoping
	Evidence gathering
	Reporting

SCRUTINY COMMITTEE

4 JULY 2016 - PROVISIONAL REPORTS

Agenda item	Decision	Description	CEB Portfolio	Report Contact
Devolution plans for Oxfordshire	No	For Scrutiny to monitor the progress of devolution proposals for Oxfordshire	Corporate Strategy and Economic Development	Caroline Green, Assistant Chief Executive
Educational attainment	No	To consider an independent report on the Council's educational attainment investments produced by Oxford Brookes University.	Young People, Schools and Skills	Tim Sadler, Executive Director Community Services
Fusion Lifestyle – Performance Report 2015/16	No	To monitor an annual Fusion Lifestyle contract performance dashboard.	Leisure, Parks and Sport	Lucy Cherry, Leisure and Performance Manager
Fusion Lifestyle's 2016/ 2017 Annual Service Plan	Yes	This report presents Fusion Lifestyle's 2016/ 2017 Annual Service Plan for the management of the council's leisure facilities. The report will recommend that the City Executive Board endorse Fusion Lifestyle's Annual Service Plan for the management of the Council's leisure facilities for 2016/17.	Leisure, Parks and Sport	Lucy Cherry, Leisure and Performance Manager
Grant Allocations to Community and Voluntary Organisations 2015/16	Yes	A monitoring report on the reported achievements resulting from grant allocations.	Community Safety	Julia Tomkins, Grants and External Funding Officer

5 SEPTEMBER 2016 - PROVISIONAL REPORTS

Agenda item	Decision	Description	CEB Portfolio	Report Contact
Recommendation monitoring - Inequality Panel	No	To monitor progress and implementation following the recommendations of the Inequality Panel, which reported to the City Executive Board in July 2015.	Corporate Strategy and Economic Development	Val Johnson, Policy Team Leader
Waterways Public Space Protection Order	Yes	The report will contain a proposal to the CEB to introduce a Public Spaces Protection Order for certain behaviours on the waterways within Oxford City's local authority boundary.	Community Safety	Richard J Adams, Community Safety & Resilience Manager

Annual Monitoring Report (AMR) 2015/16	Yes	This is the City Council's twelfth AMR to assess the effectiveness of planning policies contained within Oxford's Local Development Plan.	Planning and Regulatory Services	Rebekah Knight, Planner
Review of Oxford City Council's Tree Management Policy	Yes	The Tree Management Policy was adopted in 2008 and last reviewed in 2011. The current Tree Management Policy will be the subject of discussions at the Parish Council Forum and the Scrutiny Committee in the spring of 2016. If as a result of those discussions the Tree Management Policy needs to be revised then a report will be submitted to CEB	Leisure, Parks and Sport	Stuart Fitzsimmons, Parks and Open Spaces Manager
Sustainable Energy Action Plan (SEAP) for Oxford	Yes	SEAP does not set any new targets but estimates our baseline emissions in 2005 and captures the actions and policies that the Council and its partners are implementing to reduce carbon emissions. These actions will help to meet the Council's target of reducing carbon emissions by 40% by 2020 across the whole city. This report will request approval of our aims, objectives and emission reduction target for the City and adoption of the action plan attached to the Sustainable Energy Strategy.	Climate Change and Cleaner Greener Oxford	Mairi Brookes, OxFutures Programme Manager
Transfer Station for Recycled Material	Yes	Proposal to create and operate a Council managed Transfer Station for City collected co-mingled recyclate, green waste, street arisings and engineering works spoil.	Climate Change and Cleaner Greener Oxford	Roy Summers, Deputy Head of Service
Performance Monitoring - quarter 1	No	Quarterly reports on Council performance against a set of corporate service measures chosen by the Committee.	Corporate Strategy and Economic Development	Andrew Brown, Scrutiny Officer

6 OCTOBER 2016 - PROVISIONAL REPORTS

Agenda item	Decision	Description	CEB Portfolio	Report Contact
Language schools	No	To receive an update on work to address safeguarding concerns relating to under 18s living in private accommodation and consider a review of the wider impacts of language schools in Oxford.	Community Safety	Tim Sadler, Executive Director Community Services

Graffiti prevention	No	To consider the appreciative inquiry and focus group around graffiti and other initiatives to solve the issues long term.	Climate Change and Cleaner Greener Oxford	Daryl Edmunds, Anti-Social Behaviour Investigation Team Manager
---------------------	----	---	---	---

7 NOVEMBER 2016 - PROVISIONAL REPORTS

Agenda item	Decision	Description	CEB Portfolio	Report Contact
Discretionary Housing Payments spend	No	To monitor Discretionary Housing Payments spend mid-way through the year.	Customer and Corporate Services	Paul Wilding, Programme Manager Revenue & Benefits

6 DECEMBER 2016 - PROVISIONAL REPORTS

Agenda item	Decision	Description	CEB Portfolio	Report Contact
Performance monitoring - quarter 2	No	Quarterly reports on Council performance against a set of corporate service measures chosen by the Committee.	Corporate Strategy and Economic Development	Andrew Brown, Scrutiny Officer

30 JANUARY 2017

28 FEBRUARY 2017 - PROVISIONAL REPORTS

Agenda item	Decision	Description	CEB Portfolio	Report Contact
Performance Monitoring - quarter 3	No	Quarterly reports on Council performance against a set of corporate service measures chosen by the Committee.	Corporate Strategy and Economic Development	Andrew Brown, Scrutiny Officer

27 MARCH 2017

2 MAY 2017

SCRUTINY COMMITTEE – ITEMS TO BE SCHEDULED

Agenda item	Decision	Description	CEB Portfolio	Report Contact
-------------	----------	-------------	---------------	----------------

Recommendation Monitoring - Cycling	No	To monitor progress and implementation following the recommendations of the Cycling Review Group, which reported to CEB in September 2015.	Climate Change and Cleaner Greener Oxford	Mai Jarvis, Environmental Quality Team Manager
Recommendation monitoring - Guest Houses	No	To monitor progress and implementation following the recommendations of the Guest Houses Review Group which reported to CEB in December 2015.	Corporate Strategy and Economic Development	Richard J Adams, Community Safety & Resilience Manager
Recommendation monitoring – Recycling rates	No	To monitor recycling rates and the impacts of the blue bin recycling league following the recommendations of the Recycling Review Group.	Climate Change and Cleaner Greener Oxford	Geoff Corps, Cleaner Greener Services Manager
Recommendation monitoring – Local economy	No	To monitor progress following the recommendations of the Local Economy Review Group, which reported to CEB in June 2015.	Corporate Strategy and Economic Development	David Edwards, Executive Director City Regeneration and Housing
Public Spaces Protection Orders	No	To monitor the impacts of PSPOs the city, including the numbers and types of early interventions and enforcement actions.	Community Safety	Richard J Adams, Community Safety & Resilience Manager
Local Plan Review	No	To receive an update on the progress of the Local Plan review.	Planning and Regulatory Services	Patsy Dell, Head of Planning & Regulatory Services
Assessing disabled impacts in planning	No	To consider how the Council fulfils its duty to assess the impacts on disabled people of new developments and changes of use, including for businesses and private and social sector housing.	Planning and Regulatory Services	Patsy Dell, Head of Planning & Regulatory Services
Air Quality	No	To consider data on air quality in the City and ways of improving air quality in the the city centre.	Climate Change and Cleaner Greener Oxford	Mai Jarvis, Environmental Quality Team Manager
Design Review Panel	No	To consider the work and effectiveness of the Oxford Design Review Panel.	Planning and Regulatory Services	Patsy Dell, Head of Planning & Regulatory Services
Disabled Students' Allowance	No	To consider the impacts of cuts to Disabled Students' Allowance on disabled students in the City.	Corporate Strategy and Economic Development	Andrew Brown, Scrutiny Officer
Workplace parking levies	No	To consider the pros and cons of the proposed introduction of workplace parking charges in Oxford.	Corporate Strategy and Economic Development	Andrew Brown, Scrutiny Officer

Health and Wellbeing Board update	No	To receive an update on the work of Oxfordshire Health and Wellbeing Board by the Council's representative on the Board.	Finance, Asset Management and Public Health	Val Johnson, Policy Team Leader
Police and Crime Panel update	No	To receive an update on police and crime scrutiny activities by the Council's representative on Thames Valley Police and Crime Panel (PCP).	Community Safety	Andrew Brown, Scrutiny Officer

FINANCE PANEL

30 JUNE 2016 - PROVISIONAL REPORTS

Agenda item	Decision	Description	CEB Portfolio	Report Contact
Budget monitoring - 2015/16 quarter 4	No	To monitor the Council's finances at the end of each quarter.	Finance, Asset Management and Public Health	Nigel Kennedy, Head of Financial Services
Credit union services	No	To consider the Council's response to the Evaluation of Credit Union services in Oxford report.	Finance, Asset Management and Public Health	Paul Wilding, Programme Manager Revenue & Benefits

8 SEPTEMBER 2016 - PROVISIONAL REPORTS

Agenda item	Decision	Description	CEB Portfolio	Report Contact
Budget monitoring - quarter 1	No	To monitor the Council's finances at the end of quarter 1 (June 2016).	Finance, Asset Management and Public Health	Nigel Kennedy, Head of Financial Services
Treasury Management Strategy: Annual Report and Performance 2015/16	Yes	This performance monitoring report on the Treasury Management Strategy: Annual Report and Performance 2015/16 is submitted twice a year: <ul style="list-style-type: none"> Sept 2016 – the position at 31 March 2016 	Finance, Asset Management and Public Health	Anna Winship, Management Accountancy Manager

8 DECEMBER 2016 - PROVISIONAL REPORTS

Agenda item	Decision	Description	CEB Portfolio	Report Contact
Budget monitoring - quarter 2	No	To monitor the Council's finances at the end of quarter 2 2016-17 (September).	Finance, Asset Management and Public Health	Nigel Kennedy, Head of Financial Services

			Public Health	
--	--	--	---------------	--

16 JANUARY 2017 - PROVISIONAL REPORTS

Agenda item	Decision	Description	CEB Portfolio	Report Contact
Scrutiny Budget Review 2017/18 - recommendations	No	To agree recommendations following the annual scrutiny budget review.	Finance, Asset Management and Public Health	Nigel Kennedy, Head of Financial Services

1 FEBRUARY 2017 - PROVISIONAL REPORTS

Agenda item	Decision	Description	CEB Portfolio	Report Contact
Scrutiny Budget Review 2017/18	No	Review of the Councils draft budget for 2017/18 and medium term financial strategy.	Finance, Asset Management and Public Health	Nigel Kennedy, Head of Financial Services
Capital Strategy 2017-18	No	To consider the Council's Capital Strategy for 2017-18.	Finance, Asset Management and Public Health	Nigel Kennedy, Head of Financial Services
Treasury Management Strategy 2017/18	No	Treasury Management Strategy for 2016/17, including prudential indicators.	Finance, Asset Management and Public Health	Anna Winship, Management Accountancy Manager

29 MARCH 2017

FINANCE PANEL – ITEMS TO BE SCHEDULED

Agenda item	Decision	Description	CEB Portfolio	Report Contact
Council Tax Support Scheme	No	To consider spend and impacts of the Council's discretionary Council Tax support scheme.	Customer and Corporate Services	Tanya Bandekar, Service Manager Revenue & Benefits
Funding mechanisms for affordable housing	No	To consider alternative and innovative models for financing new affordable housing.	Finance, Asset Management and Public Health	Nigel Kennedy, Head of Financial Services

Divestment	No	To consider an ethical policy on divestment.	Finance, Asset Management and Public Health	Nigel Kennedy, Head of Financial Services
Housing Company for Oxford	No	To monitor progress of the Housing Company for Oxford in its first year of operation.	Housing	David Edwards, Executive Director City Regeneration & Housing

HOUSING PANEL

7 JULY 2016 - PROVISIONAL REPORTS

Agenda item	Decision	Description	CEB Portfolio	Report Contact
Housing performance - 2015/16 quarter 4	No	To consider year-end Council performance against a set of housing service measures chosen by the Panel.	Housing	Stephen Clarke, Head of Housing and Property
Choice Based Lettings refusal reasons	No	To receive a briefing on reasons given by Choice Based Lettings applicants for refusing Council properties, including requests for minor adaptations.	Housing	Tom Porter, Allocations Manager
Tenant satisfaction	No	To monitor tenant satisfaction survey results.	Housing	Bill Graves, Landlord Services Manager
Private Sector Housing Policy	Yes	<p>The policy will set out the future priorities and areas of intervention in the private rented and owner occupied residential sectors in Oxford and will clarify the regulatory approach to be taken by the Council.</p> <p>The policy will be considered at the following meetings:</p> <ul style="list-style-type: none"> • CEB – February 2016 for pre-consultation • CEB – July 2016 post-consultation 	Corporate Strategy and Economic Development	Ian Wright, Service Manager Environmental Health
Review of Lord Mayors Deposit Guarantee Scheme	Yes	To agree changes to the Lord Mayors Deposit Guarantee Scheme in order to update the scheme approach in light of expected changes to legislation and to boost positive outcomes for vulnerable persons.	Housing	David Rundle, Private Rented Team Leader

5 OCTOBER 2016 - PROVISIONAL REPORTS

Agenda item	Decision	Description	CEB Portfolio	Report Contact
Housing performance - quarter 1	No	To consider Council performance against a set of housing service measures chosen by the Panel.	Housing	Stephen Clarke, Head of Housing and Property
Update on homelessness prevention funds	No	To receive an update on homelessness prevention funding from April 2017, including the expected impacts of County Council funding cuts and plans to mitigate these.	Housing	Nerys Parry, Rough Sleeping and Single Homelessness Manager
Energy Strategy - Housing & Property	No	To consider past, current and future work around energy in Housing, and Housing & Property's approach to Energy and fuel poverty in its own domestic housing stock.	Housing	Deborah Haynes, Energy Efficiency Projects Officer
Approval for initiation of CPO proceedings under the approved Empty Homes Strategy 2015-2018.	Yes	Approval for the initiation of CPO proceedings under the approved Empty Homes Strategy and subsequent disposal options in order to bring property into use.	Housing	Dave Scholes, Housing Strategy & Needs Manager

9 NOVEMBER 2016 - PROVISIONAL REPORTS

Agenda item	Decision	Description	CEB Portfolio	Report Contact
Housing performance - quarter 2	No	To consider mid-year Council performance against a set of housing service measures chosen by the Panel.	Housing	Stephen Clarke, Head of Housing and Property
Rent performance	No	To monitor the Council's rents performance including current and former tenant arrears.	Housing	Tanya Bandekar, Service Manager Revenue & Benefits

1 MARCH 2017 - PROVISIONAL REPORTS

Agenda item	Decision	Description	CEB Portfolio	Report Contact
Housing performance - quarter 3	No	To consider a report on Council performance against a set of housing service measures chosen by the Panel.	Housing	Stephen Clarke, Head of Housing and Property

3 MAY 2017

HOUSING PANEL – ITEMS TO BE SCHEDULED

Agenda item	Decision	Description	CEB Portfolio	Report Contact
Rough sleeping	No	To consider how the Council deals with people sleeping rough including those with no recourse to public funds.	Community Safety, Housing	Richard J Adams, Community Safety & Resilience Manager
Houses in multiple occupations (HMOs)	No	To consider the licensing of HMOs in the City including member oversight of HMO planning decisions (currently delegated) and rules around the numbers of rooms and the number of HMOs in the street etc.	Corporate Strategy and Economic Development	Ian Wright, Service Manager Environmental Health
National policy changes	No	To receive a briefing on the expected impacts of national housing and welfare policy changes in the City.	Housing	David Edwards, Executive Director City Regeneration and Housing
Empty Property Strategy	No	To consider a refresh of the Council's Empty Property Strategy 2013-18.	Housing	Melanie Mutch, Empty Property Officer (Private Sector)
Tower block refurbishment	No	To receive a progress update on the tower block refurbishment project and consider lessons learnt following the increase in budget.	Housing	Stephen Clarke, Head of Housing and Property
Great Estates update	No	To receive an update on progress made in developing masterplans for estates and working up and delivering a rolling programme of priority improvement schemes.	Housing	Stephen Clarke, Head of Housing and Property
Under-occupation in the Council's housing stock	No	To receive an update on the levels of under-occupation in the Council's housing stock and efforts to reduce under-occupation, including support and incentives for downsizing.	Housing	Bill Graves, Landlord Services Manager
Leaseholder relationships	No	To consider Council relationships with leaseholders including the views of individual leaseholders.	Housing	Stephen Clarke, Head of Housing and Property
Service charges	No	To consider the scope for raising service charges on Council housing to mitigate reduced rental income.	Finance, Asset Management and Public Health; Housing	Stephen Clarke, Head of Housing and Property

This page is intentionally left blank

To: City Executive Board
Date: 16 June 2016
Report of: Head of Financial Services
 Head of Business Improvement
Title of Report: Integrated Performance Report for quarter 4 2015/16

Summary and recommendations	
Purpose of report:	To update Members on Finance, Risk and Performance as at the end of the financial year.
Key decision:	No
Executive Board Member:	Councillor Ed Turner
Corporate Priority:	Efficient and Effective Council.
Policy Framework:	Corporate Plan
Recommendation(s): That the City Executive Board resolves to:	
1.	Note the financial outturn and performance of the Council for the year 2015/16 and also the position on risks outstanding as at 31 March 2016;
2.	Agree the carry forward requests outlined at paragraphs 7 and detailed in Appendix 4 and recommend to Council the establishment of budgetary provision in respect of the new bids show in paragraphs 7 and Appendix 4;
3.	Agree the transfers to General Fund earmarked reserves detailed paragraph 7;
4.	Agree the transfers to Housing Revenue Account (HRA) earmarked reserves as detailed in paragraph 9;
5.	Agree the capital carry forwards as detailed in paragraph 13 Appendix 2.

Appendices	
Appendix 1	General Fund Outturn
Appendix 2	Capital Programme Outturn
Appendix 3	HRA Outturn
Appendix 4	Carry Forward Requests and New Bids

Appendix 5	Corporate Performance Outturn
Appendix 6	Corporate Risks
Appendix 7	Earmarked Reserves

Introduction and background

1. This report updates the Board on the performance of the Council for 2015/16 together with an analysis of corporate and service risks faced as at 31 March 2016. A brief summary is as follows:
2. Financial Outturn
 - a. **General Fund** – The outturn position is an underspend of £0.494 million, which is 2% of the gross budget;
 - b. **Efficiencies, Fees and Charges & Service Reduction Targets** – At year end all targets were either delivered as planned or exceeded. Additional income was achieved across service areas;
 - c. **Housing Revenue Account** – after transfers of £10.9 million to a capital reserve to fund investment in future years the HRA working balance remains at £4m;
 - d. **Capital Programme** – the outturn spend is £32.708 million (95% of the latest budget).
3. **Performance** – 74% (14) of Corporate performance targets were delivered as planned, 26% (5) did not meet their target; individual performance targets are detailed in Appendix 5.
4. **Risk Management** – There are no red corporate risks, but four amber risks at year end which are listed at paragraph 22 and Appendix 6.

General Fund Revenue

5. After taking account of transfers to/from earmarked reserves the General Fund is showing a favourable variance against budget of £0.494 million, the revenue balance remains unchanged at £3.622 million. Variances that are on-going will be picked up as part of the refresh of the Medium Term Financial Plan later in the year.
6. Recommended carry forwards are detailed in Appendix 4.
7. A full list of Earmarked Reserves is attached at Appendix 7.

General Fund Earmarked Reserves and Working Balances

8. A number of requests have been made to carry forward unspent sums that have either a) not yet started, or b) are started but not completed (£1,025k). Additionally, new bids of £361k have been received to be financed from the underspend. Details of these requests are shown in Appendix 4 and summarised below:

Description	Original Budget £	New Scheme Request £	Slipped Scheme £	Total £
Assistant Chief Executive	322,618	53,000	32,500	85,500
Environmental Sustainability	0	3,069	0	3,069
Planning & Regulatory	277,800	0	152,600	152,600
Housing & Property	240,000	40,000	59,878	99,878
Direct Services	0	232,000	0	232,000
Community Services	273,783	0	103,142	103,142
Partnership Team	689,800	0	358,500	358,500
Business Improvement	80,016	0	55,111	55,111
Organisational Development	383,045	0	262,770	262,770
Welfare Reform	0	33,367	0	33,367
Total	2,267,062	361,436	1,024,501	1,385,937

9. The new scheme requests include the following:

- Unitary Bid - £53k to fund the Council costs associated with its unitary bid
- Identifying fuel poverty in Oxford - £3k to be used to part fund the Councils involvement in the countywide Affordable warmth network
- Consultancy for establishing a Housing Company - £40k
- Cowley Marsh Recreation ground car park extension - £132k to facilitate additional fleet at existing depot
- Replacement brush wash for vehicles - £100k – to replace existing system

10. The City Executive Board is asked to review and agree the carry forward requests and new bids. Should all requests be approved then the balance to be transferred to the Capital Financing Reserve will be £494k, any sums not agreed will be added to this figure.

11. There has been a net transfer of £2.941million to General Fund reserves inclusive of the items shown in paragraph 8, a detailed breakdown on which is shown in Appendix 7.

12. The most notable transfers to earmarked reserves are:

NNDR retention reserve - £0.5 million to allow for variations in business rates

- Carry forward request and New bids - £1.386 million as referred to in para 8

- Capital Financing reserve – (£1.116) to finance the capital programme
- Fundamental service review - £0.2 million –to provide backfill and consultancy in respect of Fundamental Service reviews during the 2016/17 budget setting process

Housing Revenue Account

13. The Housing Revenue Account is showing an under spend of £9.809 million predominantly relating to the in year planned moratorium on capital spending, at year end, a variance against the latest budget of £10.946 million. This will be transferred to a HRA Capital Financing Reserve to finance slippage on the capital programme.
14. Net transfers to reserves totalled £9.416 million the majority of which related to the surplus described above. The HRA Working balance brought forward at 1 April 2015 was £4.0 million and as at 31st March 2016 this remains unchanged.

Capital

15. Capital expenditure for 2015/16 was £17.1 million on the General Fund and £15.6 million on the HRA giving a total spend of £32.7 million. This expenditure included some large schemes such as:
 - Oxpens Investment Purchase - £6.5 million
 - Homelessness Property Acquisitions - £0.857 million
 - Pavillions - £0.556 million
 - Car Parking across the city - £0.962 million
 - Tower Blocks refurbishment - £0.828 million
 - Rose Hill Community Centre - £3.571 million
 - New Build Council Dwellings- £2.730 million
16. The expenditure is shown on a scheme by scheme basis at Appendix 2. The balance of £0.495 million underspends will release funding back into capital resources. The Appendix also shows the detail of those schemes which have slipped into future years and those which have underspent since the last monitoring undertaken in February 2016. In total the additional variance is £1.884 million which is analysed as follows:

Capital Budget and Spend as at 31 March 2016						
Capital Scheme	Original Budget with Carry Forwards	Latest Budget 2015/16	Spend to 31 March 2016	Outturn Variance to Latest Budget	Outturn Variance due to Slippage	Outturn variance due to Over/ Under spend
	£	£	£	£	£	£
GF Total	22,960,665	18,072,684	17,129,070	(943,614)	(941,526)	(2,088)
Housing Revenue Account	24,618,977	16,518,894	15,578,538	(940,356)	(447,252)	(493,104)
Grand Total	47,579,642	34,591,578	32,707,608	(1,883,970)	(1,388,777)	(495,192)

17. The main areas of variation from the latest budget set in January 2015 are:

General Fund

- West End Partnership - £0.335, the spend will be one off contribution to the County Council once the agreement has been made;
- Headington Environmental Improvements - £0.059 million to be slipped into 2016/17. The scheme has not yet started but is planned to commence in 2016/17;
- Investment covered market - £0.075 million to continue improvements to the Covered Market;
- Repairs to investment properties - £0.054 million to continue improvements to investment properties;
- Bury Knowle House - £0.020 million to be slipped into 2016/17 to continue the works;
- Town Hall - £0.022 million to complete improvement to the Town Hall in 2016/17;
- Flood Alleviation - £0.047 million to be slipped into 2016/17 to continue the project;
- Cycle Oxford - £0.025 million to be slipped into 2016/17 for final expenditure;
- Direct Services Depots - £0.027 million to be slipped into 2016/17 to continue with Phase 2 of the project;
- Pavillions and Leisure Centres - £0.052 million to be slipped into 2016/17 so that work can continue on the individual projects;
- Car parking Oxpens - £0.055 million to be slipped into 2016/17 for work to complete in early 2016/17 to relocate Streetscene staff from Gloucester Green;
- Headington Environmental Improvements - £0.059 million to be slipped into 2016/17 to complete the landscaping works;

- Cutteslowe Lower Pavilion - £0.112 million to be slipped into 2016/17, work has started on the scheme but some issues have been encountered which have delayed progress.

HRA

- Tower Blocks - £0.311 million to be slipped into 2016/17, works have commenced on the project and the technical design is being agreed, the project will continue in to 2016/17;
 - Structural - £0.080 million to be slipped into 2016/17, to carry out work on Banbury Road Balconies which is due to start in Sept 2016;
 - Roofing - £0.060 million to be slipped into 2016/17 to continue project;
 - External Doors and Windows - £0.090 million to be slipped into 2016/17 to continue the project;
 - Various adaptations and repairs to Council Dwellings - £0.126 million to be slipped into 2016/17 to continue the planned work and repairs;
 - Rose Hill Community Centre - £0.032 million to cover retention costs following completion;
 - HCA New Build - £0.059 million to cover retention costs following completion;
 - Blackbird Leys Regeneration - £0.015 million to continue the project into 2016/17;
 - Kitchens & Bathrooms & Voids - £0.192 million to be slipped into 2016/17 to continue work on the rolling programme of repairs and refurbishments to Council Dwellings;
18. The 2015/16 original budget set in January 2015 for Capital was £47.579 million, the outturn position is £14.871 million underspent against this. The temporary moratorium imposed on both General Fund and HRA Capital schemes agreed by members at CEB on the 10th September (lifted in December) due to uncertainties around Government funding especially in the HRA was the main factor. Overall spend was 68% of the budget compared to 76% (£48.7million spent) in 2014/15. Major variations in 2015/16 against original budget include:

General Fund

- Community Centre backlog - £0.484 million – Deferred to future years
- Stage 2 museum - £0.434 million – Deferred to 2016/17 as part of the lottery funded project
- MT Vehicle replacement - £1.6 million – Deferred due to the changes in the ordering cycle
- R&D Feasibility - £0.4 million - Deferred
- Property Acquisitions - £1.7 million – Scheme changed to working with St Mungos Broadway
- Flood Alleviation - £1.4 million –to be spent after 2015/16

HRA

- Tower Bock refurbishment - £5.0 million – Awaiting approval to revised budget
- Extensions and Major Adaptions - £0.301 million – Deferred
- Insulation Works - £0.337 million - Deferred
- Controlled Entry - £0.30 million - Deferred
- Great Estates - £0.750 million - Deferred
- Major Voids - £0.4 million - Deferred
- Blackbird Leys Regeneration - £0.4 million – Scheme alteration to align with available funding
- Solar Panels - £0.5 million - Deferred
- Rosehill Community Centre - £0.175 million Slippage in scheme

Performance Management

19. There are nineteen Corporate performance measures that are monitored during the year, these are detailed within Appendix 5. Fourteen of these measures met their target, the most notable ones are listed below:

- **The % of Council spend with local businesses** – Target of 50% with an overall achievement of 64.9%;
- **Number of people moved into work by the Welfare Reform Programme** – Target of 4 with a year end achievement of 45;
- **Number of affordable homes for rent delivered** – Target of 67 and an overall achievement of 166;
- **Implementation of measures to reduce the City Council's carbon footprint by 5% each year** – Target of 454 Tonnes with an actual achievement of 637 Tonnes.

20. Five of the Corporate performance measures did not achieve their target as follows:

- **Percentage of all contact carried out online** – Year end result was 26.3% against a target of 27%.
- **The percentage of estimated HMO's in the City that are licensed** – Year end result was 73% against a target of 75%.
- **The number of people estimated to be sleeping rough** – The City Council's annual estimate in November 2015 has seen an increase (from 43 to 56) due to a number of factors with a lack of move-on from the hostel system into Private Rented Sector and social housing causing a major systematic block. Initiatives such as Real Lettings and the ethical landlord model are being developed to try and tackle these issues. In addition, changes to the benefit system impacting EEA nationals in particular have contributed to the increase. A large number of people also have no local connection to Oxford City.
- **The number of training places and jobs created as a result of Council investment and leadership** – We achieved a year end

figure of 466 against a target of 550. We continue to look for opportunities to deliver social value under our contracts. Work to encourage this further through the development of a social value toolkit will commence in the new fiscal year. Under the Tower Block project 6 apprenticeships, the creation of more than 50 FTE opportunities for local students, and 4 new jobs will be created as part of the circa £1m social value offered under the contract which will have a positive effect on the statistics going forward.

- **The number of Council apprenticeships created through Council investment for those who live in Oxford** – 22 apprentices in total against a year-end target of 26. 7 associated with projects at Rosehill Community Centre, Affordable Homes and the Competition Swimming Pool, 15 directly employed through the Council with 13 of those living within an OX postcode area.

Risk

21. Corporate and Directorate risks are reported within the appendices. Risks are measured according to the matrix shown below:

		Probability							
>90%	Almost Certain	5	5	10	15	20	25		
50-90%	Likely	4	4	8	12	16	20		
30-50%	Possible	3	3	6	9	12	15		
10-30%	Unlikely	2	2	4	6	8	10		
<10%	Rare	1	1	2	3	4	5		
			1	2	3	4	5		
		Impact	Insignificant	Minor	Moderate	Major	Catastrophic		

22. There are four amber Corporate Risks as listed below with more detail contained in Appendix 6:

- Resilience of the ICT function – managing projects and improvements alongside business as usual – mitigations to manage this risk have included: agreement of an ICT strategy; embedding ITIL processes; migration to ICT strategic partner; implementation of ICT helpdesk and multi-skilled applications development team.
- Partnership Risk - Potential reduction in funding to our partners – The Council has worked with partners to mitigate the impacts that this may have to mitigate this risk.
- Recruitment and Retention – the risk of losing and not being able to recruit key staff across the organisation – mitigations to manage this risk have included agreeing retention measures, identifying key posts and agreeing action to recruit/retain these posts and review of the recruitment process.

- d. HRA Business Plan Delivery Failure due to changes in Government legislation and the impact this will have on the Council’s finances – this risk was introduced in Q2 following the summer budget and was reported as a red risk in both Q2 and Q3 but the Council has challenged DCLG to help shape the proposals and implementation of these changes to assist in mitigating this risk down to an Amber.

17 The risk relating to the Medium Term Financial Plan savings not being delivered was reported as an Amber risk during the year, and as the year progressed and action plans for delivery of savings were put in place this risk mitigated to a Green risk by the year end.

Financial implications

18 All financial implications are covered in the body of this report and the Appendices.

Legal issues

19 There are no legal implications directly relevant to this report.

Level of risk

20 All risk implications are covered in the body of this report and the Appendices.

Equalities impact

21 There are no equalities impacts arising directly from this report.

Report author	Nigel Kennedy Helen Bishop
Job title	Head of Financial Services Head of Business Improvement
Service area or department	Financial Services/Business Improvement
Telephone	01865 252708
e-mail	nkennedy@oxford.gov.uk / hbishop@oxford.gov.uk

Background Papers: None

This page is intentionally left blank

GF Outturn Report 15/16 @ 31st March, 2016	Final Actual	Latest Budget	Variance YTD	Carry Forward	Final Outturn	Final Variance
	£000's	£000's	£000's	£000's	£000's	£000's
Directorates						
Assistant Chief Executive	651	918	(267)	86	736	(182)
Assistant Chief Executive	651	918	(267)	86	736	(182)
Partnerships Team	582	960	(378)	359	941	(20)
Planning and Regulatory	684	583	101	153	837	253
Housing and Property	(6,737)	(5,242)	(1,495)	100	(6,637)	(1,395)
Regeneration & Housing	(5,471)	(3,698)	(1,773)	611	(4,860)	(1,162)
Environmental Sustainability	776	712	65	3	779	68
Community Services	5,771	6,024	(253)	103	5,874	(150)
Direct Services	1,066	2,052	(986)	232	1,298	(754)
Community Services	7,613	8,788	(1,174)	338	7,952	(836)
Transformation	225	225			225	
Business Improvement	8,619	8,610	10	55	8,674	65
Organisational Development	750	1,015	(266)	263	1,012	(3)
Welfare Reform Team	300	331	(31)	33	333	2
Financial Services	2,736	2,864	(128)		2,736	(128)
Law & Governance	2,500	2,482	17		2,500	17
Organisational Development & Corporate Services	15,129	15,527	(398)	351	15,481	(46)
Directorate Total Excl SLA's & Capital Charges	17,923	21,535	(3,612)	1,386	19,309	(2,226)
SLA's & Capital Charges	6,937	3,364	3,573		6,937	3,573
Corporate Accounts Contingencies	(12,733)	(3,566)	(9,167)		(5,089)	(1,523)
		1,318	(1,318)		1,178	(140)
Total Corporate Accounts & Contingencies	(12,733)	(2,248)	(10,484)		(3,911)	(1,662)
Net Budget Requirement	12,128	22,651	(10,524)	1,386	22,336	(316)
Total Funding Available	(22,791)	(22,612)	(179)		(22,791)	(179)
(Surplus) / Deficit for year	(10,663)	39	(10,702)	1,386	(455)	(494)

This page is intentionally left blank

Capital Budget and Spend as at 31 March 2016

Capital Scheme	Original Budget with Carry Forwards	Latest Budget 2015/16	Spend to 31 March 2016	Outturn Variance to Latest Budget	Outturn Variance due to Slippage	Outturn variance due to Over/ Under spend
	£	£	£	£	£	£
C3039 ICT Infrastructure	90,365	86,365	106,072	19,707	19,707	0
C3044 Software Licences	177,000	175,000	164,045	(10,955)	(10,955)	0
C3045 Mobile Working	69,902	75,902	75,241	(661)	(661)	0
C3047 Oracle 11g Upgrade	25,000	25,000	9,000	(16,000)	(16,000)	
C3053 New Council website	101,119	101,119	162,123	61,004	61,004	
C3054 Purchase of web service (API's)	78,050	78,050	41,098	(36,953)	(36,953)	
S03 Business Improvement	541,436	541,436	557,578	16,142	16,142	0
S106 Funded Schemes						
F1323 Bridge Over Fiddlers Stream	228,016	5,000	3,770	(1,230)	(1,230)	
F7005 Oxford Road Park, Littlemore - Improvements	-	0	5,935	5,935		5,935
F7007 Woodfarm / Headington Community Centre	19,887	0	0	0	0	
F7009 CCTV Gipsy Lane Campus	60,000	0	0	0	0	
F7010 Work of Art Said Business School	50,000	0	0	0	0	
F7011 Headington Environmental Improvements	59,004	59,004	0	(59,004)	(59,004)	
F7012 Rose Hill Recreation Ground Improvements	3,300	3,300	0	(3,300)	(3,300)	
F7019 Work of Art Rose Hill	2,288	0	0	0	0	
F7020 Work of Art Shotover View	14,635	0	0	0	0	
F7022 Wyatt Road Recreation Ground	1,830	0	0	0	0	
F1332 Improvements to Pembroke Street		120,000	119,000	(1,000)		(1,000)
F7024 St Clements Environmental Improvements	50,000	0	0	0	0	
Grants						
E3511 Renovation Grants	50,000	25,000	16,917	(8,083)	(8,083)	
E3521 Disabled Facilities Grants	640,000	501,000	513,973	12,973		12,973
S11 Planning & Regulatory	1,178,960	713,304	659,594	(53,710)	(71,617)	17,907
M5014 West End Partnership	335,000	335,000	0	(335,000)	(335,000)	
M5022 Investment Purchase - Oxpens	2,000,000	6,500,000	6,500,000	0	0	0
S10 Partnerships Team	2,335,000	6,835,000	6,500,000	(335,000)	(335,000)	0
Community Centres						
B0033 Community Centres	547,012	50,000	62,580	12,580		12,580
Covered Market						
B0027 Covered Market - Improvements & Upgrade to Roof	49,789	124,789	114,993	(9,796)	(9,796)	
B0028 Covered Market - New Roof Structures to High St Entrances	75,598	22,514	16,896	(5,619)	(5,619)	
B0036 Investment ~ Covered Market	244,604	87,960	28,075	(59,885)	(59,885)	
Investment Properties						
B0003 Roof Repairs & Ext Refurbishment 44-46 George St	27,000	0	0	0		
B0040 Investment ~ Broad Street	92,087	69,209	38,016	(31,193)	(31,193)	
B0041 Investment - Misc. City Centre Properties	35,090	7,972	4,398	(3,574)	(3,574)	
B0043 Investment George Street	163,340	21,334	55,411	34,077	34,077	
B0044 Investment - Outer City	127,908	0	0	0		
B0045 Investment ~ St. Michael's Street	6,035	0	0	0		
B0046 Investment - Ship Street	52,184	52,184	6,859	(45,325)	(45,325)	
B0072 23-25 Broad Street		1,400	10,637	9,237		9,237
B0092 Acquisition of Investment Properties		693,000	684,743	(8,257)	(8,257)	
Miscellaneous Council Properties						
B0032 Bury Knowle House	37,900	77,900	57,484	(20,416)	(20,416)	
B0067 Fencing Repairs Across the City		3,430	4,202	772		772
B0077 Direct Services Depots	404,131	404,131	377,167	(26,964)	(26,964)	
B0078 Allotments	51,150	0	0	0		
B0079 Street Sports Sites	10,731	0	0	0		
B0082 Garages	138,309	125,453	128,325	2,872	2,872	

Capital Scheme	Original Budget with Carry Forwards	Latest Budget 2015/16	Spend to 31 March 2016	Outturn Variance to Latest Budget	Outturn Variance due to Slippage	Outturn variance due to Over/ Under spend
	£	£	£	£	£	£
B0088 Barns Road Car Park	128,254	163,000	163,000	0		
				0		
				0		
Parks & Cemeteries						
B0048 Leisure - Cemeteries	16,977	10,000	12,727	2,727	2,727	
B0050 Leisure ~ Depots	18,760	0	0	0		
B0065 Parks & Cemetery - Masonry Walls & Path Improvements	40,000	40,000	43,601	3,601		3,601
Town Hall & St Aldates Chambers						
B0054 Town Hall	45,940	251,940	271,030	19,090		19,090
B0068 Town Hall - Conference System Refurbishment	178,841	59,461	53,008	(6,453)	(6,453)	
B0090 St Aldates Security	-	4,000	7,095	3,095		3,095
B0091 Town Hall Boiler Replacement	157,500	130,750	114,686	(16,064)	(16,064)	
				0		
				0		
General Fund Housing Projects						
M5019 Homelessness Property Acquisitions	2,547,488	857,080	857,080	(0)	(0)	
M5020 Empty Homes CPO Revolving Fund	750,000	0	0	0		
M5021 Equity Loan Scheme for Teachers	300,000	0	0	0		0
S13 Housing and Property Total	6,246,617	3,257,507	3,112,011	(145,496)	(193,870)	48,374
E3554 Additional SALIX Plus funding	342,649	277,000	275,064	(1,936)	(1,936)	
E3555 Flood Alleviation at Northway & Marston	1,467,951	115,000	67,866	(47,134)	(47,134)	
F0015 Cycle Oxford	164,910	144,910	119,909	(25,001)	(25,001)	
S20 Environmental Sustainability	1,975,510	536,910	462,839	(74,071)	(74,071)	0
Community Facilities						
G3015 NE Marston Croft Road Recreation Ground	13,151	0	0	0		
G3018 St Ebbes Deaf and Hard of Hearing Centre	50,000	0	0	0		
G3019 Wood Farm Neighbourhood Community Facility Improvements	75,000	0	0	0		
Community Safety						
E3556 Additional CCTV to Speedwell street	40,000	40,000	21,210	(18,790)	(18,790)	
G6014 CCTV Project	25,000	0	0	0		
G6015 CCTV Rose Hill		2,810	2,810	0		0
Museum of Oxford						
B0075 Stage 2 Museum of Oxford Development	434,390	19,500	0	(19,500)	(19,500)	
Indoor Sports						
A4808 Blackbird Leys Leisure Centre Improvements	128,278	51,773	41,537	(10,236)	(10,236)	
A4810 New Build Completion Pool	102,827	37,403	41,795	4,392	4,392	
A4814 Leisure Centre Substantive Works		0	0	0		
A4815 Leisure Centre Improvement Work	442,992	77,355	77,355	0		
A4835 Biomass store at Cutteslowe Park to supply new	53,160	0	0	0		
A4829 Oxford Spires Academy	500,000	500,000	500,000	0		
Sports Pavilions						
A4816 Pavilions General	186,232	297,413	266,656	(30,757)	(30,757)	
A4837 Quarry Pavillion	-	0	1,540	1,540	1,540	
A4840 Cutteslowe Lower Pavilion	481,181	400,000	287,968	(112,032)	(112,032)	
A4832 Pavilions Grey Water Harvesting	28,000	0	0	0		
Outdoor Sports						
A3129 Donnington Recreation Ground Improvements	44,375	0	0	0		
A4820 Upgrade Existing Tennis Courts	101,738	72,000	76,008	4,008	4,008	
A4821 Upgrade Existing Multi-Use Games Area	46,714	20,000	17,747	(2,253)	(2,253)	
A4833 Horspath Athletics Ground	50,000	170,000	177,114	7,114	7,114	
A4834 Cutteslowe Park Splash Feature	100,000	0	0	0		
A4836 Court Place Farm Car Park	-	0	4,598	4,598	4,598	
A4839 New Skate Park -Northway, Bertie Place and	70,000	0	0	0		
				0		
				0		
Parks & Cemeteries						
Lye Valley & Chiswell Valley Walkways	-	32	0	1,599	1,599	1,599
A4826 Parks Works	51,037	151,079	151,579	500	500	

Capital Scheme	Original Budget with Carry Forwards	Latest Budget 2015/16	Spend to 31 March 2016	Outturn Variance to Latest Budget	Outturn Variance due to Slippage	Outturn variance due to Over/ Under spend
	£	£	£	£	£	£
A4830 Develop new burial space	35,275	35,275	13,300	(21,975)	(21,975)	
S22 Community Services Total	3,059,350	1,874,608	1,682,815	(191,793)	(193,391)	1,599
Vehicles						
R0005 MT Vehicles/Plant Replacement Programme.	3,318,589	2,244,669	2,253,481	8,812	8,812	
T2280 - Heavy Goods Vehicle Testing Facility	51,288	51,288	45,745	(5,543)		(5,543)
Cleansing Services						
T2269 Toilet improvements	20,000	22,000	21,143	(857)		(857)
T2277 Food waste collection from flats	204,839	207,000	184,635	(22,365)	(22,365)	
T2282 Solar Compacting Bins	25,000	0	0	0		
T2284 Waste & Recycling Compactors		50,000	49,980	(20)		(20)
Car Parking & Highways						
B0037 Car Parks	84,361	84,361	83,822	(539)		(539)
B0081 Car Parking Oxpens	542,804	349,804	295,101	(54,703)	(54,703)	
B0086 Extension to Seacourt Park & Ride	359,928	225,000	214,662	(10,338)	(10,338)	
T2273 Car Parks Resurfacing	452,703	452,703	452,703	0	0	
T2274 Gloucester Green Car Park Waterproofing	88,170	49,838	49,838	0	0	
T2279 Dunnocks Way Parking Project	83,124	83,124	83,124	0	0	
T2283 Sandy Lane Resurfacing	105,285	83,132	83,132	(0)	(0)	
S23 Direct Services Total	5,336,091	3,902,919	3,817,367	(85,552)	(78,593)	(6,959)
B0074 R & D Feasibility Fund	401,841	20,000	8,875	(11,125)	(11,125)	
C3052 Fraud Solutions and Data Warehouse	41,000	41,000	0	(41,000)		(41,000)
G6013 Superconnected Cities	844,860	350,000	327,991	(22,009)		(22,009)
S32 Finance Total	1,287,701	411,000	336,866	(74,134)	(11,125)	(63,009)
Cycling and Public Realm	500,000	0	0	0		
Western Conveyance Channel	500,000	0	0	0		
Third Party CIL Funding	1,000,000	0	0	0	0	0
GF Total	22,960,665	18,072,684	17,129,070	(943,614)	(941,526)	(2,088)
Housing Revenue Account Capital Programme						
External Contracts						
N6384 Tower Blocks	5,781,717	1,139,000	827,955	(311,045)	(311,045)	
N6386 Structural	131,000	131,000	51,206	(79,794)	(79,794)	
N6387 Controlled Entry	311,000	10,000	(944)	(10,944)		(10,944)
N6389 Damp-proof works (K&B)	95,000	95,000	67,089	(27,911)		(27,911)
N6392 Roofing	158,000	308,000	247,389	(60,611)		(60,611)
N6393 External Doors	301,000	210,000	167,761	(42,239)		(42,239)
N6394 Windows	263,000	113,000	67,197	(45,803)		(45,803)
N7020 Extensions & Major Adaptions	623,000	321,179	281,370	(39,809)		(39,809)
N7026 Communal Areas	178,000	158,000	128,982	(29,018)		(29,018)
N7027 Environmental Improvements	95,240	50,000	37,745	(12,255)		(12,255)
N7036 Food Waste Collection	57,427	58,000	51,607	(6,393)		(6,393)
		0	0	0		
N7033 Energy Efficiency Initiatives	363,000	163,000	165,773	2,773		2,773
N7037 Solar Panels	715,000	233,321	244,945	11,624		11,624
N7038 Insulation Works	780,000	442,500	433,788	(8,712)		(8,712)
N7039 Investment Programme Delivery	156,000	0	0	0		
New Build						
B0034 Rose Hill Community Centre	3,778,355	3,602,894	3,571,481	(31,413)	(31,413)	
N7029 HCA New Build	2,143,483	2,789,000	2,730,228	(58,772)	(25,000)	(33,772)
N7031 Homes at Barton	619,376	50,000	29,228	(20,772)		(20,772)
N7032 Great Estates: Estate Enhancements and	1,149,379	400,000	422,230	22,230		22,230
N7040 Blackbird Leys Regeneration	416,000	15,000	0	(15,000)		(15,000)
Internal Contracts						
N6385 Adaptations for disabled	573,000	609,684	654,837	45,153		45,153

Capital Scheme	Original Budget with Carry Forwards	Latest Budget 2015/16	Spend to 31 March 2016	Outturn Variance to Latest Budget	Outturn Variance due to Slippage	Outturn variance due to Over/ Under spend
	£	£	£	£	£	£
N6390 Kitchens & Bathrooms	3,177,491	3,178,000	3,044,778	(133,222)		(133,222)
N6391 Heating	1,633,509	1,659,000	1,638,523	(20,477)		(20,477)
N6388 Major Voids	764,000	427,316	343,411	(83,905)		(83,905)
N6395 Electrics	356,000	356,000	371,959	15,959		15,959
Housing Revenue Account	24,618,977	16,518,894	15,578,538	(940,356)	(447,252)	(493,104)
Grand Total	47,579,642	34,591,578	32,707,608	(1,883,970)	(1,388,777)	(495,192)

HRA Outturn Report 15/16 @ 31st March, 2016	Approved Budget (per Budget book)	Actual YTD	Budget YTD	Variance YTD	Final Outturn	Final Variance
	£000's	£000's	£000's	£'000's	£'000's	£'000's
Dwelling Rent	(41,705)	(42,809)	(41,705)	(1,104)	(42,809)	(1,104)
Service Charges	(1,244)	(1,810)	(1,244)	(566)	(1,810)	(566)
Furniture & Other Rent	(757)	(976)	(781)	(195)	(976)	(195)
Major Project Team Fees	(337)					
Net Income	(44,042)	(45,594)	(43,729)	(1,865)	(45,594)	(1,865)
General Management	5,494	4,542	5,393	(851)	4,542	(851)
Special Services	2,381	2,574	2,756	(182)	2,574	(182)
Other Expenditure	3,195	1,239	1,797	(558)	1,239	(558)
Bad Debt Provision	365	300	346	(45)	300	(45)
Responsive & Cyclical Repairs	10,091	10,394	10,398	(4)	10,394	(4)
Interest Paid	7,922	7,760	7,922	(162)	7,760	(162)
Depreciation	5,849	9,115	5,849	3,266	9,115	3,266
Total Expenditure	35,297	35,924	34,461	1,463	35,924	1,463
Net Operating Expenditure/(Income)	(8,746)	(9,671)	(9,269)	(402)	(9,671)	(402)
Total Appropriations	8,954	(138)	10,406	(10,544)	(138)	(10,544)
Total HRA (Surplus)/Deficit	208	(9,809)	1,196	(10,946)	(9,809)	(10,946)

This page is intentionally left blank

SUMMARY OF CARRY FORWARD REQUESTS AND NEW BIDS 2015/16

Description	Original Budget	New Scheme Request	Slipped Scheme	Total
	£	£	£	£
Assistant Chief Executive	322,618	53,000	32,500	85,500
Environmental Sustainability	0	3,069	0	3,069
Planning & Regulatory	277,800	0	152,600	152,600
Housing & Property	240,000	40,000	59,878	99,878
Direct Services	0	232,000	0	232,000
Community Services	273,783	0	103,142	103,142
Partnership Team	689,800	0	358,500	358,500
Business Improvement	80,016	0	55,111	55,111
Organisational Development	383,045	0	262,770	262,770
Welfare Reform	0	33,367	0	33,367
Total	2,267,062	361,436	1,024,501	1,385,937

SUMMARY OF CARRY FORWARD REQUESTS AND NEW BIDS 2015/16
S01 - Assistant Chief Executive

Description	Original Budget £	New Scheme Request £	Slipped Scheme £	Total Requested £	Reason for Request
Unitary Bid	53,000	53,000		53,000	Consultancy and additional staff costs for Unitary status bid
Residents Survey	57,722		20,000	20,000	Residents satisfaction survey, assessing residents perceptions of their local area, Council services, community safety, local economy and health and well being issues
Assistant Comms Officer	211,896		12,500	12,500	There are two reasons for making this request. The first being the need to cover the cost of this post until end of July when a full-time temporary maternity cover fixed term contract ends. And the second to provide an additional two months cover to provide additional resource on the social media platforms throughout the Devolution consultation period and to assist with cover for marketing campaigns through the next six month period.
	322,618	53,000	32,500	85,500	

SUMMARY OF CARRY FORWARD REQUESTS AND NEW BIDS 2015/16
S01 - Assistant Chief Executive

Description	Original Budget £	New Scheme Request £	Slipped Scheme £	Total Requested £	Reason for Request
Identifying Fuel Poverty in Oxford/EDIS	0	3,069		3,069	Unbudgeted income was received in 15/16 for this project, which is proposed to be used to part fund Oxford's involvement with the countywide Affordable warmth network in 16/17. This will address fuel poverty in Oxford for assisting fuel poor households with targeted home energy advice, energy efficiency upgrades, and signposting to financial help
	0	3,069	0	3,069	

SUMMARY OF CARRY FORWARD REQUESTS AND NEW BIDS 2015/16**S11 - Planning and Regulatory**

Description	Original Budget £	New Scheme Request £	Slipped Scheme £	Total Requested £	Reason for Request
Winter Warmth Grants	27,800	0	7,600	7,600	Underspent external funding to be carried forward to provide energy efficiency grants to vulnerable people
Oxford Growth Strategy	250,000		145,000	145,000	Carry out work on Oxford Growth Strategy - contribution to post SHMA join work/ SHMA Programme Officer; local plans and production of Oxford Growth Strategy. This will allow the Grenoble Road planning application to be submitted before the end of 2016
	277,800	0	152,600	152,600	

SUMMARY OF CARRY FORWARD REQUESTS AND NEW BIDS 2015/16
S13 - Housing and Property

Description	Original Budget £	New Scheme Request £	Slipped Scheme £	Total Requested £	Reason for Request
Covered Market Sprinklers - Replacement Pipework	140,000		20,000	20,000	This budget is the reactive maintenance budget for Commercial Properties owned by the City Council. In 2015/16 less repair and maintenance was carried out to Shops on Housing Estates than in previous years.
Energy Advice Officer & CAB home visits	100,000		39,878	39,878	Posts were recruited in Sept 2015, budget needs to straddle into 16/17 to cover full year costs
Consultancy for establishing Housing company		40,000		40,000	The Housing Company forms part of the Councils General fund and there are set up costs which are required to be funded by the Council to set the company up
	240,000	40,000	59,878	99,878	

SUMMARY OF CARRY FORWARD REQUESTS AND NEW BIDS 2015/16**S23 - Direct Services**

Description	Original Budget £	New Scheme Request £	Slipped Scheme £	Total Requested £	Reason for Request
Cowley Marsh Recreation ground car pak extension		132,000		132,000	it is proposed that the adjacent Marsh Recreation Car Park be extended and refurbished to provide extra car parking space, while some of the existing Depot staff parking is designated for fleet vehicle use.
Brush Wash		100,000		100,000	Purchase a new vehicle brush wash to replace the current one, which frequently breaks and is soon to be out of contract
	0	232,000	0	232,000	

SUMMARY OF CARRY FORWARD REQUESTS AND NEW BIDS 2015/16
S22 -Community Services

Description	Original Budget £	New Scheme Request £	Slipped Scheme £	Total Requested £	Reason for Request
Ward Member Budgets	132,873		37,911	37,911	The precedent is that any unspent ward member balances are carried forward between financial years, allowing greater flexibility and potential to support larger projects. Carry forward ensures that wards with unspent balances are not penalised.
Develop a Community Trust	75,000		48,231	48,231	To set up a community trust with wide-range of benefits working closely with local partner organisations
Arts Development	65,910		17,000	17,000	Combination of SLA and one-off programming grants to deliver a variety of arts projects for organisations or City Council projects (CREATE, Cultural Fund, Museum of Oxford & Christmas Light Festival)
	273,783	0	103,142	103,142	

SUMMARY OF CARRY FORWARD REQUESTS AND NEW BIDS 2015/16**S10 - Partnership Team**

Description	Original Budget £	New Scheme Request £	Slipped Scheme £	Total Requested £	Reason for Request
Regeneration Consultants Budget	565,300		351,000	351,000	Oxpens selection of a development partner; Oxford Station masterplan SPD; Mixed use scheme at Cowley; Publicity and community engagement
Word academies and Innovation	124,500		7,500	7,500	To support the setting up of a workd based 'academy' at Barton and match for ERDF funding for innovation schemes
	689,800	0	358,500	358,500	

SUMMARY OF CARRY FORWARD REQUESTS AND NEW BIDS 2015/16**S03 - Business Improvement**

Description	Original Budget £	New Scheme Request £	Slipped Scheme £	Total Requested £	Reason for Request
Customer First Programme	80,016		55,111	55,111	to support transformation and channel shift projects including: Rents & Revenues; Landlords portal; tenants portal and promote channel shift
	80,016	0	55,111	55,111	

SUMMARY OF CARRY FORWARD REQUESTS AND NEW BIDS 2015/16**S04 - Organisational Development**

Description	Original Budget £	New Scheme Request £	Slipped Scheme £	Total Requested £	Reason for Request
Corporate Wellbeing and Leadership & Management Development	200,000		152,000	152,000	to fund the contract with Q-learning to deliver the Leadership and Management Development Programme, due to a delayed start - etimated end date Oct 16
Apprenticeship Programme	183,045		110,770	110,770	Due to the nature of the programme funding is set aside at the start of the recruitment period and subsequently is used over a two year period. The carry forward is the remaining funding from year one
	383,045	0	262,770	262,770	

SUMMARY OF CARRY FORWARD REQUESTS AND NEW BIDS 2015/16**S04 - Organisational Development**

Description	Original Budget £	New Scheme Request £	Slipped Scheme £	Total Requested £	Reason for Request
Oxford Community Work Agency		33,367		33,367	Funding of posts in Oxford Community Work Agency following withdrawal of County Council Grant
	0	33,367	0	33,367	

This page is intentionally left blank

Corporate Performance Measures

Measure	Target	Result for 15/16
The % of Council spend with local businesses	50%	64.90%
The number of training places and jobs created as a result of council investment and leadership	550	466
The number of council apprenticeships created through Council investment for those who live in Oxford	26	22
Number of people moved into work by the Welfare Reform Programme	4	45
The percentage of estimated HMOs in the city that are licenced	75%	73%
Limit our use of temporary accomodation at 2015 levels	120	115
Number of affordable homes for rent delivered	67	166
The number of people estimated to be sleeping rough	45	56
The number of successful interventions with rough sleepers	250	326
The number of people taking part in our youth ambition programme	5400	6640
The % increase in the number of adults taking part in sport as measured by Sport England's Active People Survey	31.50%	31.50%
Satisfaction with our street cleaning services	75%	78.78%
Implementation of measures to reduce the City Council's carbon footprint by 5% each year	454 Tonnes	637 Tonnes
The amount of non-recyclable waste produced in the city per household decreases each year	425 kgs	409.74 kgs
Household waste recycled and composted	46.50%	46.86%
The % of customers satisfied at their first point of contact	80%	80%
The delivery of the Council's efficiency savings	£3,122,000	£3,122,000
Resident satisfaction with their area as a place to live	81%	81%
% of all contact carried out online	27%	26.30%

This page is intentionally left blank

Corporate Risk Register

Risk			Current Risk Rating	
Ref	Title	Risk description	I	P
CRR-001-15/16	ICT	Resilience of ICT function - managing projects and improvements alongside business as usual	3	3
CRR-004-15/16	Partnership Risk	Financial reduction in funding and impact on our partners	3	5
CRR-005-15/16	Recruitment and Retention	The risk of losing good quality staff and the inability to recruit into key posts with good quality staff	3	3
CRR-030	HRA Business Plan Delivery failure	Changes to variable factors threatens investment and service performance and medium term financial strategy	4	2
CRR-002-15/16	Budget and Income	Medium Term Financial Plan savings not delivered and pressures not anticipated or accurately recorded. Income not collected on a timely basis	3	2
CRR-003-15/16	Partnership Risk	Ability to engage with Partners	2	2
CRR-006-15/16	Environmental	The impact of adverse environmental episodes on service delivery and the subsequent adverse financial impact on Council	3	2

This page is intentionally left blank

List of Earmarked Reserves as at 31st March 2016

	Balance at 31 March 2016 £000	Transfers In 2015/16 £000	Transfers Out 2015/16 £000	Balance at 31 March 2015 £000
General Fund:				
Direct Revenue Funding of Capital	(13,425)	(1,036)	2,152	(14,541)
NNDR Retention Reserve	(3,829)	(500)	-	(3,329)
Committed Projects Reserve	(2,243)	(1,455)	1,564	(2,352)
Dry Recyclate Reserve	(1,400)	-	-	(1,400)
Grants Reserve	(1,309)	(875)	628	(1,062)
Employee Cost Reserve	(1,257)	-	-	(1,257)
Organisational Development Reserve	(1,185)	(1,298)	547	(433)
Business Transformation Projects	(988)	(867)	565	(685)
Homelessness	(952)	-	48	(1,000)
Housing Benefit Reserve	(804)	(804)	-	-
Westgate Redevelopment Reserve	(737)	-	-	(737)
IT Infrastructure and Equipment Reserve	(710)	(690)	333	(353)
Assets of Community Value	(707)	(707)	-	-
Loan and Property Fund Guarantee Reserve	(516)	-	-	(516)
Community Services Carry Forward Reserve	(438)	(122)	429	(746)
Repairs & Maintenance Reserve	(414)	-	45	(459)
Flood Reserve	(357)	-	-	(357)
Rose Hill Demolition	(339)	-	-	(339)
Reserve for Land Charges	(317)	(184)	59	(192)
OxFutures Reserve	(300)	-	-	(300)
SALIX Energy Projects Reserve	(265)	(184)	130	(212)
Blue Bin League Reserve	(262)	(262)	-	-
Fundamental Service Review	(200)	(200)	-	-
Economic Development Reserve	(158)	(27)	-	(131)
Taxi Licensing Reserve	(135)	-	25	(160)
P&R County Contribution - Future Maintenance	(117)	-	-	(117)
City Council Elections Reserve	(71)	(60)	-	(11)
Land at Barton	(69)	-	2	(71)
External Legal Fees Reserve	(65)	(125)	60	-
SALIX Management Fee	(60)	(20)	-	(39)
Lord Mayors Deposit	(52)	-	3	(56)
Disabled Transport Contingency	(50)	-	-	(50)
General Licensing reserve	(48)	-	18	(66)
Home Choice fund for single persons	(36)	(9)	3	(31)
Severe Weather Recovery Scheme	(35)	-	-	(35)
Business Support Scheme	(30)	(30)	-	-
Jobs Club Contingency	(25)	-	17	(42)
Town Hall Equipment Reserve	(20)	-	-	(20)
Shopmobility Reserve	(20)	(5)	-	(14)
Town Team Partners	(10)	-	-	(10)
Berkshire, Oxfordshire, Buckinghamshire and Milton Keynes Planning Fund	(9)	(2)	-	(6)
Museum Development Reserve	(5)	(2)	-	(3)
Work Of Art Reserve	(5)	-	-	(5)
HMO Licensing Reserve	-	-	9	(9)
Feed In Tariff Management Fee	-	-	2	(2)
CLG Homelessness Grant	-	-	-	-
Unlawful Dwellings Reserve	0	(0)	8	(7)
Total General Fund	(33,975)	(9,465)	6,647	(31,156)
HRA:				
HRA Capital Projects	(15,031)	(15,959)	6,438	(5,510)
IT Equipment Reserve	(196)	-	83	(279)
HRA - CRM Work	(120)	(248)	248	(120)
Eco Funding	(119)	(28)	-	(91)
Direct Payment Project Arrears Reserve	(101)	-	39	(141)
Committed Projects Reserve	(38)	(287)	248	-
SALIX Energy Projects Reserve	(18)	(18)	-	-
Albert House	-	-	60	(60)
Normandy Crescent Fund	-	-	7	(7)
Total HRA	(15,624)	(16,540)	7,124	(6,207)
Insurance Funds:				
Self Insurance Fund	(1,762)	(466)	-	(1,296)
Total Insurance Funds	(1,762)	(466)	-	(1,296)
Grand Total	(51,360)	(26,472)	13,771	(38,659)

This page is intentionally left blank

Evaluation of Credit Union services in Oxford

Final Report
July 2015

Report produced by Financial Inclusion Centre

The Financial Inclusion Centre is an independent research and policy innovation think-tank dedicated to promoting financial inclusion and fair, efficient, competitive and accountable financial markets.

The evaluation research was researched and written by:

Gareth Evans (Director)

Gareth is a specialist in research, evaluations and policy formulation covering financial exclusion, overindebtedness and community finance, with over 12 years' experience in the field. He has built extensive knowledge and practical expertise in extending access to affordable financial services particularly in relation to credit unions having undertaken a diverse range of feasibility, development, training, product development and strategic business growth work across the sector.

www.inclusioncentre.org.uk



Contents

Executive Summary	4
1. Introduction	10
1.1 Project aims	10
1.2 Research methodology	10
1.2.1 Research management arrangements	10
1.2.2 Research approach	11
2. Credit union services in Oxford	13
2.1 Oxfordshire Credit Union	13
2.1.1 Background.....	13
2.1.2 Current financial and growth analysis	15
2.1.3 Strategic priorities and financial projections	16
2.1.4 Summary of main strengths / weaknesses	17
Financial and business growth.....	17
Operational and service delivery	18
2.2 Blackbird Leys Credit Union	20
2.2.1 Background.....	20
2.2.2 Current financial and growth analysis	21
2.2.3 Strategic priorities and financial projections	23
2.2.4 Summary of strengths / weaknesses	24
Financial and business growth.....	24
Operational and service delivery	25
2.3 Direct comparison of the two credit unions	26
2.3.1 Key financial indicators.....	26
Chart 1: Total adult membership levels (actual and projected)	27
Chart 2: Total net assets (Actual).....	27
Chart 3: Total member shares and loan balances (actual and projected)	28
Chart 4: Net profit (actual and projected)	28
Chart 5: Income and expenditure (actual and projected)	29
Chart 6: Capital reserves (actual and projected)	30
2.3.2 Product and service delivery:	30
2.4 Potential merger of the two credit unions in Oxford.....	32
3. Recommendations for expanding and enhancing credit union services in Oxford	34
3.1 Recommendations to credit union services in Oxford.....	35
3.2 Recommendations to Oxfordshire Credit Union	37
3.3 Recommendations to Blackbird Leys Credit Union.....	40
3.4 Recommendations for Oxford City Council.....	42
Appendix	50
Appendix 1 - Audited Annual Accounts: Income and Expenditure (BLCU and OCU)	50
Appendix 2 - Audited Annual Accounts: Balance Sheets (BLCU and OCU)	51
Appendix 3 – Deprivation levels in Oxford	52
Appendix 4 - Social housing providers in Oxford (and Oxfordshire).....	54
Appendix 5 – Number of Employers based in Oxford (with over 200 staff in Oxfordshire)	56

Executive Summary

With the government's changes to the Welfare System, the ability to access appropriate financial services and manage household finances has never been more important. Oxford City Council (OCC) is committed to increasing financial inclusion and tackling overindebtedness as part of its Financial Inclusion Strategy.

Credit unions are an important component of this work, promoting financial resilience and providing access to affordable credit and other banking services to those who might otherwise struggle to access such services. Oxford has two very different credit unions operating across the city. This is ultimately not productive as it duplicates effort, dilutes increasingly scarce resources and limits take up by offering a confusing message to potential users.

The Council has provided significant funding to both Credit Unions to support their development and most recently to facilitate a potential amalgamation. This research was commissioned following the breakdown of the merger discussions. It is designed to evaluate both Oxfordshire Credit Union (OCU) and Blackbird Leys Credit Unions' (BLCU), financial situation, growth and strategic direction and Business Plans for growth and identify opportunities for improvements. This has been framed within the context of wider best practice from across the sector, in order to set out a series of recommendations for the individual credit unions and Oxford City Council, with a view to enhancing and extending provision and maximising uptake.

Oxfordshire Credit Union

Operational for almost 10 years, and has grown steadily to become the larger of the two credit unions, both financially and in terms of its membership. It has undergone significant recent change, extending its services to deliver service across the whole of Oxfordshire and more recently in 2014, completely restructuring its business by closing its main office and getting rid of all staff and replacing it with an established back-office service provider to manage and deliver its core operations. This aims to reduce its operating costs and make it more financially viable while offering a more consistent and comprehensive service with a greater range of products that allows it to expand its reach and focus on strategic growth.

It now serves 730 members and plans to grow this to 1,250 over the next three years, which is relatively small compared nationally to an average credit union membership of just under 3,000. Financially, it offers a mixed picture with healthy annual growth in net assets and members saving deposits of approximately 20% that should see it reach over £500,000 in assets by 2017 from its current levels of just over £425,000. Yet, its loan portfolio has fallen by 25% over the last two years together with relatively high levels of non-performing loans. This is OCU's most critical challenging and projects to increase lending by 75% increase over the next three years.

By taking proactive measure to address its financial profitability, OCU has cut its outgoings by 14% over the last two years, while managing to keep its income stable. This has resulted in cumulative net profits of almost £4,000 since 2012 that have been invested in its capital reserves to continue to strengthen its viability.

Key strengths:

- Strong financial growth of just under 20% in net assets and members shares.
- Relatively profitable over last two years with proactive measures taken to reduce expenditure (projected to fall by one third) and plan to reduce grant reliance to below 15% of income over next 3 years.
- Business focused board with good level of skills/competencies and sensible projections within strategic business plan.
- Broad common bond offering economies of scale and business growth opportunities via partnerships and payroll deduction
- New back office service provides consistent /quality service at a reduced cost and capacity to deal with demand together with ability to deliver remotely via online, telephone and face-to-face outreach services.
- Excellent branding and new website.

Key weaknesses:

- Low membership base.
- Main financial concern is its reducing loan book that has contracted by a quarter over last 3 years together with high recent delinquency - but signs that this is improving.
- Income has fallen due to lower lending and is still reliant upon on grant funding for over 40% of its income.
- Adequate reserves but could have implications for ability to grow while continuing to meet capital requirements.
- Needs to continue to improve service delivery to support more remote access and communication via technology improvements and develop greater product range.

Blackbird Leys Credit Union

The credit union has been serving the Blackbird Leys or Greater Leys area for over 20 years. While it is still relatively small with a membership under 500, it actually serves about 3% of the local population.

BLCU has a very traditional approach with a narrow product range and service delivery model that focuses on operating from a single office that is open less than a third of the week. The office is run by a small team of part-time staff and allows members to deposit and withdraw cash, which it believes is an essential part of serving the most financially excluded members. Last year it voted to expand to cover the entire city but without significant improvements to its service delivery and capacity, it is very difficult to see how it can serve potential members outside the immediate community.

In terms of its finances, BLCU has a series of concerning trends that would point to a credit union experiencing overall decline that unless addressed, leave questions about its medium term viability. Over the last three years, its assets have fallen 11%, saving deposits are down 7% but most troubling is its lending levels which have plummeted by 68% to under £20,000 out on loan on its books. It also has relatively high delinquency level. This situation is not sustainable and the credit union must focus on at least tripling its current lending levels in a prudent manner but this will be especially difficult given internal factors such as its restrictive loan policy/practices and its relatively high default levels, coupled with its external circumstances such as its narrow focus on a small operational area that is relatively deprived.

The knock on effect of these declining figures is being felt in its profitability and ultimately its viability having last year, registering a net annual loss of £9,276 driven by the steep decline in income, (equivalent to 51% drop over the last three years) that has not been matched by sufficient reductions to its operating costs, which only dropped 28%. Moreover, it is heavily reliant upon grants and donations to operate the business, representing two thirds of its current income.

Importantly, the credit union’s redeeming financial feature is its strong capital/asset position with reserves of over £13,000 yet without significant address of its financial problems, this will continue to be eroded. Without a completed business plan which is an important regulatory requirement, it is difficult to identify just how BLCU is planning to address these matters. It recognises that the solution is to undertake a transfer of engagements into a larger neighbouring credit union but it is not clear how likely this will be. A previous attempt to merge the two credit union services in Oxford failed at the last moment and while both parties have not ruled out further discussions, there would be a number of hurdles to overcome.

Key financial headlines	OCU	BLCU
Bracket show average British CU ¹	Brackets show % change from previous year	Brackets show % change from previous year
Membership (2,951)	730 (-33%)	456 (-3%)
Net Current Assets (£3.47M)	£436,735 (17%)	£162,748 (-10%)
Total Savings (£2.96M)	£426,029 (18%)	£149,305 (-5%)
Annual dividend (n/a)	0%	0%
Total Loans (£1.98M)	£137,140 (-19%)	£18,949 (-45%)
<i>Loans as % of shares (67%)</i>	32%	13%
Total Income (£71,000)	£75,258 (-6%)	£19,956 (-50%)
% income from grants (n/a)	41%	78%
Total Expenditure (£62,000)	£75,486 (0%)	£29,141 (-26%)
Total profit -after tax (£9,000)	£-793	£-9,276
Capital Reserves (0.37M)	£10,706 (-7%)	£13,443 (-41%)
<i>Capital asset ratio</i>	3.4%	8.9%
<i>Liquidity ratio</i>	51.3%	32.0%
Bad debt write-off (n/a)	£26,818 (-12%)	£6,371 (?)

<p>Key strengths:</p> <ul style="list-style-type: none"> Financially, BLCU has a strong capital position – with current capital/asset ratio of almost 9%. Long history with strong connections in local community. Dedicated staff team and long serving 	<p>Key weaknesses:</p> <ul style="list-style-type: none"> Declining membership with narrow low-income profile concentrated on households. Contracting across almost all financial indicators with annual falls of 10% in net assets, 5% in shares and 45% in lending. Posted a £9,000 deficit last year and without
--	---

¹ Bank of England Prudential Regulation Authority – Credit Union Quarterly Statistics (December 2014) for England, Scotland and Wales.

<p>and experienced Directors – but highly reliant upon one or two individuals to maintain operations.</p>	<p>sizable action to reduce expenditure and increase income, raises serious concerns over short-medium term viability.</p> <ul style="list-style-type: none"> • Lending has dropped by 68% in over last 3 years to just under £20,000, equivalent to 13% of shares out on loan. This is compounded by difficulty in quickly expanding productive lending due to small operational area and limited loan policy/practices and high but improving default levels. • Needs to address its lack of business or financial plan - a serious regulatory failing. • Extremely high grant dependency with only 22% of its income generated – a particular risk in current climate of public sector cuts • Traditional delivery model that is high cost for scale with poor levels of service, capacity and product range that severely limits ability to grow and reach people living outside immediate area (let alone entire city). • Very poor branding and substandard website.
---	---

Recommendations

The report contains a comprehensive list of 48 suggested actions and improvements for the two credit unions and Oxford City Council with the following key headlines:

Recommendations to credit union services in Oxford

- **Become successful social businesses** that focus on operating profitably and sustainably in order to deliver greater social impact and serve those most excluded.
- **Greater collaboration** to achieve economies of scale, operational efficiency and long-term success in expanding credit union services.
- **Broaden the membership base** by product diversification and expanding delivery method to attract all parts of the community and meet the expectations of modern consumers.
- **Increase productivity of the loan book** by developing effective loan policies and competitively priced loan products with more efficient processing and convenient delivery.
- **Ensure strong and effective governance** to meet changing business priorities and new regulatory regime through recruitment of skilled Directors and development programmes

Recommendations to Oxfordshire Credit Union

- **Utilise credit reference agency information** to support membership ID verification, credit and affordability assessments during loan consideration and the building of credit rating for borrowers.

- **Develop instant online membership and loan applications to make it as simple, quick and pain free for Oxford residents to join and borrow** and help reduce costs to the business.
- **Consider introducing capacity based lending** with more rigorous income and expenditure assessments of capacity to repay together with higher interest rates for small value loans.
- **Develop secure online banking services** to provide more functionality for members and help reduce operating costs through member self-service.
- **Focus on expansion of payroll deduction as an untapped growth opportunity** by increasing the number of employers offering this facility and maximising penetration levels.
- **Seek capital investment through subordinated loans** from partner organisations to facilitate growth and release additional funding for development.

Recommendations to Blackbird Leys Credit Union

- **Strongly reconsider a strategic merger with OCU to address financial viability issues** and ensure that a viable service can continue to be delivered in the community.
- **Immediately prioritise the production of a business plan and undertake an internal compliance review** to identify any other regulatory requirements not currently being met.
- **Increase loan book to generate more income** by increasing lending volumes and provision of more profitable higher value loans.
- **Accelerate efforts to reduce operating costs** by cutting staffing levels further and substituting with volunteers to maintain delivery levels and core operations.
- **Strengthen the Board to address identified business continuity risks and new regulatory requirements**, if the credit union is unable to secure a suitable merger.

Recommendations to Oxford City Council

If the Council wishes to see credit union's enhancing and expanding their services, it will need to play a more direct role. In light of the situation with the two credit unions, it would be counterproductive to temper action, in the interests of being fair to both. **Pursue resumption of merger negotiations** with the Council playing an active role in facilitation and utilising support and resources to encourage the direction of the process.

- **Facilitate approaches and engagement of senior representatives at local employers, Council suppliers, social housing providers and other key stakeholders** to provide support for the credit union, especially through payroll deduction partnerships.
- **Co-ordinate a comprehensive marketing strategy for the various Council communication channels**, to increase awareness and uptake amongst Oxford residents.
- **Determine its overall strategy for supporting and resourcing credit union services** that maintains short-term commitments to revenue funding but that looks to reduce its support to encourage sustainability potentially through the use of one-off investment for modernisation and capital funds.

1. Introduction

In the current economic climate and the government's changes to the Welfare System, the ability to access appropriate financial services and manage household finances has never been more important. Being financially excluded imposes real costs not just on individuals and their families, but also on the wider communities and economies in which they live.

Oxford City Council's (OCC) is commitment to reducing inequality within the city and sees that tackling financial exclusion and overindebtedness as an integral part of this vision. As a response, it has developed a detailed three year strategy and action plan to deliver financial inclusion work that links to it wider work on welfare reform, fuel poverty and stronger communities agendas.

Within the city, there are already a number of organisations delivering financial services and providing access to money advice support as well as significant work taking place across the Council that contributes towards the reduction of financial exclusion. Credit Unions are an important part of this work, which can promote financial resilience and provide affordable credit and other banking services to those who might otherwise struggle to access such services. Oxford has two very different credit unions operating across the city.. Yet, despite ongoing support and investment of resources by the Council, less than 1,500 people, equivalent to less than one per cent of the Oxford population² are currently accessing credit union services. Furthermore, the current position and condition of each credit union and their potential to contribute toward the financial inclusion agenda is not fully understood.

1.1 Project aims

The report aims is to evaluate current provision of credit union services within the city, examining the financial circumstances, growth and strategic direction of each credit union, comparing their service delivery approaches and product offers and outlining their individual strengths, weaknesses and opportunities for improvement. This will be framed within the context of best practice identified from across the sector, in order to determine how best credit union services can be enhanced and extended to maximise uptake, benefit and contribution to the city's financial inclusion aspirations. A series of recommendations are proposed for both Oxford City Council and the individual credit unions to improve provision and take up of credit union services.

1.2 Research methodology

1.2.1 Research management arrangements

Oxford City Council commissioned the Financial Inclusion Centre to undertake the evaluation between May 2015 and June 2015 by Gareth Evans, Director of Financial Inclusion Centre. The management of the project was overseen by Paul Wilding, Revenues & Benefits Programme

² Based on 154,800 estimated population of Oxford in June 2013
(www.oxford.gov.uk/population_statistics_occw)

Manager. The research team undertook initial project exploration discussions with the project contact to help understand the main requirements and perspectives and during the research maintained regular contact.

1.2.2 Research approach

The research approach has been formulated to meet OCC's identified research requirements within its tender specification and included:

Desk based analysis of key credit union documents of both OCU and BLCU

The research team requested the following documents:

- Strategic Business Plan – covering current financial years and two subsequent years
- Audited Accounts - for financial years ending September 2014 and September 2013
- Annual Returns - for financial years ending September 2014 and September 2013

The only document that was unable to be obtained within the research timeframe was BLCU's 2013 Annual Return which was not forwarded despite a number of requests. As also addressed later in the report, the current Business Plan provided by BLCU was lacking significant information and required sections and would not meet the compliance requirements of the regulator.

In addition, each of the credit union's websites was accessed to gather information on product portfolio, service delivery methods and customer access.

Individual face-to-face consultation meetings with each of the two credit unions:

The research team undertook separate interviews with representatives from both BLCU and OCU at their respective offices. Each interview was recorded.

- **Blackbird Leys Credit Union – Monday 11 May 2015 (12:00-14:00)**
 - Jim Hewitt – Treasurer
 - Saul Goode – Office Manager
- **Oxfordshire Credit Union – Monday 11 May (14:30-16:30)**
 - Mark Luntley - Chair
 - Peter Stevenson – Treasurer

Desk based review of existing research within the credit union sector

To help identify various best practice and key challenges facing the credit union sector, the research team identified and reviewed a number of studies previously undertaken:

- Cato, M.S, Bickle, R, Bird, A, and Myers, J, (2009) 'Realising the Potential: A review of the credit union movement in Wales'. Welsh Assembly Government.
- Goth, P, McKillop, D, and Ferguson, C, (2006) 'Building Better Credit Unions'. Joseph Rowntree Foundation.

- HM Treasury, (2014) 'British credit unions at 50: Response to the call for evidence.'
- Hope, S, (2010) 'Promoting the Effectiveness and Efficiency of Credit Unions in the UK.' Friends Provident Foundation.
- Jones, P, (2005) 'Creating Wealth in the West Midlands through Sustainable Credit Unions.' ABCUL.
- Jones, P, (2008) 'From tackling poverty to achieving financial inclusion: The changing role of British credit unions in low-income communities', Journal of Socio-Economics, 37: 2141-54.
- Jones, P, and Ellison, A (2011) 'Community finance for London: Scaling up the credit union and social finance sector'. Santander.
- Jones, P, (2012) 'Strategies for Growth: A research study into the progress and development of credit unions in the North East of England and Cumbria.' Northern Rock Foundation.
- Old Bell 3 (2012) 'An Evaluation of the Access to Financial Services through Credit Unions Project – First Year Report'. Welsh Government.

Review of Oxford Financial Inclusion Strategy and local need/demand for range of financial services /support within Oxford context:

To help understand the local priorities for reducing financial inclusion and determine how the credit union services in Oxford may contribute, the current Oxford City Council's Financial Inclusion Strategy covering 2014 to 2017 was reviewed.

2. Credit union services in Oxford

There are currently two credit unions that operate within Oxford; Oxfordshire Credit Union (OCU) and Blackbird Leys Credit Union (BLCU). Both credit unions now cover the entire city, following a recent common bond³ expansion by BLCU but would appear to differ considerably in almost every aspect including their coverage, capacity, capability, strategic direction, financial profile and service delivery approach.

This section individually evaluates each credit union, providing a summary of their background and current developments, an analysis of their financial situation and recent growth as well as their own self stated strategic priorities and financial forecasts. Furthermore, the key financial indicators and product and service offers are directly compared together with subjective summaries of their individual strengths, weaknesses and key areas for improvement and concern.

Appendix 1 and 2 – provides three years of financial figures for both credit unions taken from their audited annual accounts for 2012/13 and 2013/14.

Finally, we discuss the recent failed merger, taking into account each credit unions perspective on the situation and whether there are any opportunities for future amalgamation or collaborative working.

1.1 Oxfordshire Credit Union

1.1.1 Background

OCU was authorised and registered in 2005 and began trading on 30th January 2006 following support from Oxford City Council and the Tudor Trust. Initially, it was only available to people living and working in Oxford but it extended its 'common bond' in 2012 to deliver service across the whole of Oxfordshire and achieve greater economies of scale and take advantages of new partnership opportunities.

Its membership and finances grew steadily over the initial years following its launch. Like many new start credit unions, it adopted a business model of delivering its services through a main office in the Temple Cowley area that offered cash deposit and withdrawal facilities for members and was operated by a small paid staff team complimented by volunteers. In 2014, it took the strategic decision to completely restructure its business and implement a brand new delivery approach in response to a combination of factors:

- Address head-on its ongoing financial viability issues that would ultimately enable the business to grow and become financially sustainable. Fundamentally, its cost base was

³ Common Bond' is the term used to describe the eligible membership qualification for a credit union and can include a mixture of residing or working within a specific geographical area and/or association or employment with a specific organisation or corporate body.

- much too high for its size and income generation being achieved therefore needed to significantly reduce its expenditure particularly on staffing and premises budgets.
- Delivering service via outlets that provide cash is an extremely costly and ineffective delivery approach that only serves a small proportion of its existing membership and limits access to potential new customers. By taking advantage of new online, telephone and other financial technologies, it could increase usage and offer a more professional and holistic service to better meet the challenges and changing requirements of diverse local consumers.
 - Its longstanding Manager had given notice and the lease was ending on its office property therefore providing the opportunity for the credit union to review its operational approach and act as a catalyst for change.

As a result, it took the decision to close its 'cash' office and make its remaining two full-time paid members of staff redundant. The day-to-day delivery was replaced with an established back-office provider, Credit Union Solutions (www.cus.coop) to manage and deliver its core operations. This increasingly mirrors moves by a number of credit unions within the sector and internationally, including the main trade association, ABCUL through the Department of Work and Pensions CU Expansion Project to develop shared services and common back-office delivery to help drive down costs and improve services.

By adopting this new delivery model that combines technology driven improvements to access via online, telephone and card payment facilities combined with a network of community outlets to provide face-to-face outreach, OCU believes it will be able to offer a more comprehensive service that expands its reach and operating hours, reduces its operating costs by approximately one third and provides the opportunity to focus its efforts on strategic growth. Whilst the credit union recognises that there were some initial teething troubles and handful of members who were unwilling or unable to adapt to the new service, by encouraging members who have traditionally dealt in cash at their office towards the use of card/banking facilities, they feel they are supporting members to improve their financial capabilities and better deal with changing financial services and forthcoming overhaul to benefit payments via Universal Credit.

OCU also feels that there are significant opportunities offered from its new working relationship with CUS, which is a workers cooperative currently made up of five credit unions, and therefore enables it to take advantage of both greater economies of scale and joint working/sharing of best practice as well as greater flexibility, capacity and consistency in its service delivery.

To facilitate these changes it has reviewed its product offer and implemented a number of new services to improve access, including a prepayment card which can act as a transactional bank account enabling funds to be transferred onto the card and withdrawn locally through the ATM system. It also has a separate PayPoint card facility that enables members to deposit cash at a large number of outlets and Post Offices across Oxford and nationally.

Finally, it has developed a number of partnerships with key local stakeholders including, three arrangements so that employees can make payments via payroll deductions and with both Soha Housing and Sovereign Housing Association, allowing their tenants, leaseholders and employees to easily join the credit union.

It is aiming to focus efforts on further relationships over the coming years to help support its growth, which despite not having any directly paid staff, it believes is now more realistic than before, given that the CUS delivery has actually released significant Director and volunteer time to develop such partnerships. From a governance position, OCU has a small but relatively professionalised Board of Directors that appears to have a good mixture of skills and competencies, particularly around finance that should stand it in good stead in relation to governance and the forthcoming FCA senior management regime but also in relation to building external confidence in the organisations.

1.1.2 Current financial and growth analysis

OCU is the larger of the two credit unions, both financially and in terms of its membership. Since its inception, it has grown steadily but is still relatively small with a current adult membership of 730. As can be seen in Chart 1, this has fallen dramatically from a peak of 1,095 members in 2013. This is as a result of a rationalisation of its 'inactive' membership to help reduce costs associated with each membership such as insurance and trade association fees.

Financially, it has total net assets of £435,000, which have importantly seen a healthy annual increase of 17% (see Chart 2) but from a relatively low base. Similarly, it continues to attract saving deposits from members, with total share capital of £425,000 that has risen by 18% over the previous 12 months from £311,940 (See Chart 3). This growth is despite the credit union not having paid a dividend for the last two years. Both of these financial indicators are positive and show the credit union on an upward trajectory.

Yet, like many credit unions, it has been a very challenging environment post financial crash that has conversely seen its loan portfolio fall by 25% over the last two year from £182,873 to a current loan balance of £137,000 (see Chart 3). The core factor in the sustainable development of any credit union is the productivity of its loan book. Unfortunately, this means that only 32% of its member shares are out on loan, which has actually fallen from 59% since 2012. This is compared to the 'goal' of 70-80% proposed as good practice by the World Council of Credit Unions (WOCCU). It is likely to have resulted from a general dampening of loan demand with many reluctant to take out further borrowing but more likely a much more cautious lending approach brought about through growing loan delinquencies.

This results in highly unproductive liquidity levels of 51% and would normally see drastic reductions in income because of falling earned income generated from loans but also that returns on funds deposited with the bank are at an all-time low. However, despite this 25% fall in lending, it has not materialised in serious reductions in earned income from loan interest, which has only actually fallen by 8% in the last two years. This is likely to have been offset by it charging higher interest rates for its smaller loans under £2,000, helping provide better profit margins.

Also of concern, are the credit unions relatively high levels of non-performing loans, which again is being seen across many credit unions. This can arise from a combination of internal factors such as poor lending decisions or from a lack of credit control as well as the increasing financial squeeze on many households. During 2014, OCU wrote-off of almost £27,000, which is of particular concern as it amounts to at least 35% of their income, equivalent to bad debt

levels at approximately 20% of the current loan book. However, its default levels appears to be an improving picture with significant falls in arrears levels from £28,339 to £8,470 in the last year and reducing provisioning for doubtful debt⁴, which fell from £20,576 in 2013 to £5,122 in 2014.

As discussed, OCU has taken proactive measure to address its financial viability that should now improve its future profitability. Back in 2012, the credit union registered an annual loss of £11,429 with expenditure of £87,422 compared to income of £76,357. As Chart 4 shows, since this point it has maintained relatively consistent income levels but reduced its outgoings by 14% over the two years to £75,486 in 2014 (see Chart 4). This has seen its operational efficiency, shown as total expenditure as a percentage of total assets, improve dramatically from 27% in 2012 to 17% in 2014.

This has resulted in a cumulative net profit since 2012 of £3,826 (See Chart 5), compared to the significant loss recorded in 2012. Furthermore, as its expenditure costs have been reduced by approximately a third as a result of the back office delivery by CUS, and income levels have stabilised, it should continue to produce annual surpluses going forward that can be invested in its capital reserves to continue to strengthen its viability.

In terms of the ultimate goal of financial sustainability, it is currently generating over half its revenue from income from its loan book, which is a positive situation and given its falling loan book has not altered significantly over the last three years. Yet, OCU still has some distance to travel until it does not require grant funding to cover some element of its operational costs. In 2014, it received income of £30,815 from grants and donations (equivalent to 41% of its total income). This has not changed substantially over the last two years from £32,151 (equivalent to 42%) but expects this to fall to just £10,000 and 14% of its total income by September 2017.

Finally and probably most importantly for an indication of a credit union's financial position is its reserves and its capital/asset levels⁵. In terms of reserves, OCU has seen its levels increase by 44% from £7,420 to £10,706 over the last three years. This is equivalent to a capital to assets ratio of 3.4%, which is OK as it is above the minimum regulatory threshold of 3% but this is less of a buffer than would be preferable. With such small reserves there is always the risk that a poor year and an operating deficit would just be enough to reduce or wipe out their reserves altogether. However, the positive picture in relation to its reduced expenditure and stable income going forward, should enable it to continue growing its reserves to over 5% by September 2017. Its capital asset position would benefit greatly by securing investment from local stakeholder through either deferred shares or more likely sub-ordinated loan, which would both improve its balance sheet and enable it to grow more aggressively.

1.1.3 Strategic priorities and financial projections

OCU has a strong and up-to-date strategic business plan including detailed financial forecasts covering the next three years operations. The Directors have established a number of cohesive strategic priorities that look to; address the identified need to increase lending and maximise

⁴ Bad debt provisions are the monies that the regulator requires credit unions to set aside because of payment arrears and the likelihood that some of the loans may subsequently have to be written off.

⁵ Representative of its risk adjusted level of reserves as a proportion of its total assets.

earned income while continuing the improvement to service delivery and costs optimisation while also building productive relationships to support its work:

- Rolling out member services
- Efficient and effective services
- Increase in the proportion of savings out on loan.
- Joint working with Soha housing and other housing providers
- Advice centre joint working
- Relationship with Blackbird Leys Credit Union

The financial projections appear robust and realistic and would look to move the credit union toward sustainability over the next three years including:

- Membership growth from current levels of 750 to 1,250 by end of September 2017
- Share capital rising over next three years to over £500,000 from current
- Growth in lending levels from current £180,000 to £310,000
- Income levels remaining steady but levels of grants and donations fall from £30,000 (equivalent to 40% of total income) to £10,000 (14%).
- Expenditure falling from current levels of £75,000 to £68,000
- Operating surpluses achieved in each of the next three years enabling capital reserves to more than double from current levels of £11,000 to £25,000

The most challenging but critical aspect of its strategic plan would appear to be the achievement of its aspirations for a 75% increase in its loan book without the accompanying escalation of bad debts. This is likely to require a focused effort by OCU to;

- regularly review of its lending policy, especially the use of capacity based lending, which it currently only allows for those repaying via payroll deductions, this may need to be reviewed and amended,
- introduce improved application, decision making, disbursement and collection procedures,
- embrace online loan applications and introduce automation for specific parts of the workflow,
- increase marketing of loan products and attract a broad range of creditworthy borrowers,
- diversification of its lending portfolio to approve more profitable larger loans,
- close monitoring of credit control data and early action to address issues.

1.1.4 Summary of main strengths / weaknesses

Financial and business growth

Strengths	<ul style="list-style-type: none"> • Strong annual growth of just under 20% in net assets and members shares (despite not having paid a dividend) • Sufficient capital reserve position – currently meeting regulatory requirements. • Relatively profitable over last 2 years – despite difficult trading conditions and is forecasting profit in coming years. • Proactive measures taken to reduce operational expenditure (with
------------------	---

	<p>administration costs projected to fall by one third).</p> <ul style="list-style-type: none"> • Proposal to reduce reliance on grant funding to below 15% of total income over next 3 years. • Significant falls in bad debt provisioning. • Strong/sensible financial projections within strategic business plan • Well placed to capitalise upon business growth opportunities via partnerships and payroll deduction relationships to build sustainable growth from a diverse membership.
--	--

Weaknesses	<ul style="list-style-type: none"> • Low membership base / annual growth together with recent rationalisation of membership to remove inactive accounts. • Reducing loan book that has contracted by a quarter over last 3 years – impacting on income generation (but this is strongly recognised in its business plan). • Low loan to share ratio with a need to get more funds out as productive loans to increase its earned income. • High default levels with large write-offs and provisions over last 2 years (but signs that this is improving with lower provisioning) • Reliance upon on grant funding for over 40% of its income • Limited capital reserves will have implications for ability to grow and continue to meet capital requirements
-------------------	--

Operational and service delivery

Strengths	<ul style="list-style-type: none"> • Broad common bond covering entire country offering economies of scale and opportunity to develop a large and diverse membership base. • New back office service provides a consistent and quality service at a reduced cost with flexible capacity to deal with potential demand / expansion. • Uses Curtains II Operating Software – offering good service delivery • Excellent branding with professional /visually appealing marketing materials that would instil confidence from existing/perspective members. • Brand new website (compatible for mobile phones) • Ability to deliver a remote service using pre-payment/PayPoint cards together with online and telephone services. • Weekday service delivery (Monday to Friday: 8am – 4pm) via telephone and online.
------------------	---

	<ul style="list-style-type: none"> • Series of community outlets for face-to-face services • Ability to develop partnerships with large employers and social housing across Oxfordshire. • Could deliver a transactional bank account / budget account • Already has a number of payroll deduction arrangements – with plans to expand the number • Understanding of target customer – needs to attract medium/high income saver/borrower. • Good skills/competencies on Board • Significant opportunity for modernisation and sharing expertise with other CUs through back-office services.
--	--

Weaknesses	<ul style="list-style-type: none"> • Restriction on individual to join instantly – need online membership application and ID verification checks. • Lack of direct staffing resources to undertake development/marketing roles – so limits capacity and reliant upon good quality volunteers. • Limited online functionality – would benefit from online membership/loans applications and transactional functionality (check balance/transfer money/request withdrawal) to increase access/growth. • Still delivering a primarily manual process – requiring greater automation. • It has a traditional loan policy that requires new members to save for 3 months prior to being able to borrow up to 3 times their total savings. This reduces its attractiveness to prospective members who wish to access credit immediately and therefore limits loan growth potential. • Limited financial product range – opportunity to expand loan, insurance and banking products. • Poor public awareness of their existence/function – need improvements to external marketing/communication/media relations. • Limited use of electronic communications via email and SMS text messaging.
-------------------	---

1.2 Blackbird Leys Credit Union

1.2.1 Background

BLCU has been operating for well over 20 years, delivering credit union services locally to anyone living or working in Blackbird Leys or Greater Leys, an area to the south-east of the city with a population of approximately 15,000, which experiences particularly high levels of socio-economic deprivation (See Appendix 3).

It has grown organically and serves a relatively small membership of just 456 adult members, which actually represents a relatively healthy penetration rate within the local area of between 3 -3.5% of the population. However, one drawback of such a narrow demographic profile is that it does not support a diverse membership base or the economies of scale needed for sustainable growth.

At its Annual General Meeting in September 2014, it voted to expand its common bond by both enabling corporate membership as well as extending coverage across the entire city. From research interviews, it was identified that this was primarily undertaken to enable membership requests from individuals living outside Blackbird Leys to be accepted including OCU members who wished to join to access cash facilities as well as potential payroll deduction providers. Moreover, it also believes that this will help it become more appealing to both other credit unions in potential mergers dialogues and other groups across Oxford who may wish to establish and run cash collection points. Nevertheless, without significant improvements to its operational delivery services, it is very difficult to see its being able to remotely access and serve potential members outside the immediate community without additional delivery methods being introduced and whether it would be a suitably attractive proposition to potential partners as a service to their staff or tenants.

BLCU is a very different model of credit union compared to OCU with a more traditional approach to its product range and service delivery/operations. It has a very poor online presence with little information let alone functionality. Instead, the credit union is operated by a small dedicated team of part-time staff and volunteers whose focus is running its member facing office within the Blackbird Leys Community Centre. The office and telephones are only open for a total of 10.5 hours per week over four days and provides the ability for members to deposit and withdraw cash. Such a service delivery model was strongly highlighted by the credit union's staff and Directors during the research interviews as an essential part of its offer and much valued, particularly by the most financially excluded members, who it feels are reliant upon on cash transactions. It is extremely committed to not losing this facility as it believes that a large proportion of its users would not be able to maintain their credit union account using alternative methods. It has built strong networks within the local community, especially with local third sector and faith organisations.

The credit union was one of around 150 social lenders that took part in the later stages of the Department of Work and Pensions (DWP) Growth Fund Programme, which looked to raise levels of access to affordable credit amongst financially excluded households. BLCU received loan capital and grant funding to help cover administrative and staff costs in order to offer small value loans to low income, often benefit dependant households.

It has a small team of committed Directors who fulfil the various Board, Supervisory and Credit Committee functions. As with many similar sized credit unions, it appears heavily reliant on one or two Directors who undertake a large proportion of both the governance function but also daily operations. This raises business continuity and sustainability risks should these individuals leave or no longer be able to fulfil their roles at the current level. In addition, the forthcoming senior management changes to the regulatory regime will place greater scrutiny and requirements on individuals involved in running credit unions.

1.2.2 Current financial and growth analysis

In terms of its finances, BLCU presents a mixed picture with some positive glimmers but a series of concerning trends that would point to a credit union experience overall decline that unless addressed, leave questions about its medium term viability.

Membership figures for the number of adults was only available for two years and shows that its membership numbers remains relative stable, with 472 in 2013 and 456 in 2014. It is attracting around one new member per week but is also losing slightly more (see Chart 1).

What is more concerning is the dramatic decline that the credit union has experience in its assets, saving deposits but most drastically in its lending figures. As Chart 2 shows, over the last three years, its total net assets have declined by 11% from £182,301 to £162,748. Likewise, the amount being deposited in the credit union by members currently stands at £149,305, down by 7% from £160,749 (see Chart 3). It has not paid members a dividend on savings for a number of years. Yet, this decline in member shares is likely to be a symptom of its narrow membership base and the financial pressure being experienced by the lowest income households with the average shareholding falling slightly to £327 per member.

Yet, attracting deposits is not BLCU's principle issue, in fact one of its most pressing concerns is its inability to lend this money to its membership productively and therefore generate income. Lending levels have plummeted by 68% since 2012 (see Chart 3), falling from a balance of £59,312 (equivalent to 37% of its members shares out on loan) to just £18,949 (equivalent to 13% of its members shares out on loan). In the last financial year ending September 2014, it loaned a total of just £33,050 and by the end of the period had just 48 loans on its books. This situation is not sustainable and the credit union must focus on increasing lending in a prudent manner as this is its only source of earned income, which has dropped to just £4,051, equivalent to just 17% of its total income or 12% of its total expenditure in 2014.

While, like many credit unions, they will have experienced a general fall in demand from more creditworthy applicants. However, the size of these reductions in lending and discussions with BLCU representative would point to internal issues with loan policy/processing but primarily a reluctance to lend brought about by legacy issues surrounding its delivery of the DWP Growth Fund. This government programme provided loan capital (and administrative costs) to delivery low value loans (under £500) to often more high risk borrowers in receipt of benefits. As with many Growth Fund credit unions, the outcome has been to skew loans books (and often membership profiles) more toward small unprofitable loans with low-income households.

The other more tangible consequence of the Growth Fund has been the dramatic escalation of delinquency levels associated with these loans. This for a number of credit unions, like BLCU, has resulted in hangover issues that have lasted a number of years following the end of the programme. Many are still dealing with the bad debts both on their balance sheets but also via ongoing credit control administration but more problematically it restricts the pool of non-default borrowers and also created a perception within the community that it is acceptable to default on a credit union loan.

Historic levels of write-offs are not available but figures for 2014 show BLCU wrote-off £6,371, which is of particular concern as it amounts to 27% of their income, equivalent to 34% of its current loan book. Its loan provisioning for doubtful debt, has reduced by 58% since 2012, from £11,283 to £5,318 but is reflective of the steep decline in lending and is still very high in relation to the size of its loan book.

The knock on effect of these declining figures is being felt in its profitability and ultimately its viability. Last year, the credit union registered a net annual loss of £9,276 driven by the steep decline in income that has not been matched by sufficient reductions to its operating costs (see Chart 5). There has been deterioration in income of 51% over the last three years from £41,095 in 2012 to £19,956 in the last year (see Chart 4). From the Annual Return for 2014, we can see that just 17% of its income is currently being generated by interest compared to 66% from grants and donations.

While income has fallen by 51%, its total expenditure over the same period has dropped by only 28% from £40,955 to £29,141 with its administrative expenses now accounting for 85% of total expenditure. Unfortunately, BLCU does not breakdown either its income or expenditure costs on its annual accounts and with only the Annual Return for 2014 forthcoming, it is not possible to track changes in various budgets over the last three years. Thus, it is not possible to ascertain changes in expenditure items but the research interviews highlighted that hours amongst the three part-time staff had to be reduced. However, what is not at all clear from either the discussions or their business plan⁶ is what action it is planning to take to address these financial issues in relation to both its income and expenditure to prevent another substantial loss. When questioned on this subject, the credit union believed that the situation has improved but is looking likely to make a loss in the region of £2,000 but it is difficult to know if this is a realistic estimate without any financial forecasts.

A key issue is BLCU's reliance on grants and individual donations to operate the business. Most credit unions strive to become self-sustaining through income generation for their core revenue costs and secure external income from grants only to deliver specific work or for one-off investments. With two-thirds of its income from external funding, BLCU is a long way from this position and as highlighted from discussions, do not believe it will ever be free from grants. In fact, BLCU sees itself less as a social business but more as a charitable organisation that must rely on the help of grant subsidy if it is to deliver the type of services and meet the financial needs of deprived communities.

The credit union's one redeeming financial feature is its strong capital/asset position for its size. While the DWP Growth Fund had its shortcoming it did have one very important outcome

⁶ Note - the BLCU Business Plan does not contain any financial forecasts.

of participation. Any capital that remained at the end of the programme could sit on the credit union's balance sheet as capital and be used for future lending but also importantly be converted to revenue to cover any future losses. This for a number of credit unions has been critical to their recent survival. BLCU currently has reserves of £13,443 (see Chart 6), which, for its size, provides it with a healthy capital to asset ratio of almost 9%⁷. However, the loss of just over £9,000 in 2014 reduced its reserves by 40%. If the credit union experienced a similar deficit in 2015 as it did in the previous year, it would bring its down to a projected estimate of 3.6%.

1.2.3 Strategic priorities and financial projections

As part of the evaluation, BLCU's current strategic business plan has been reviewed but it is by far complete and the lack of detail and missing sections on organisations structure, situational analysis, risk management, 3 year financial forecasts and 12 month action plan would, in its current format, fail the specified requirements of the regulator.

Within the 5 page document, there is only an extensive list of well summarised strategic aims and priorities but they are summarised well and include:

- Ensure the maintenance of good capital levels,
- Maintain an appropriate and eventually sustainable level of staffing,
- Identify services that would be welcome to existing and potential members and likely to encourage further use of the credit union,
- Increase assistance in cases of 'borderline' creditworthiness so as to establish more confident management of finances,
- Foster a greater sense of ownership and loyalty to the local credit union / branch in the local community,
- Expand our common bond area so as to be able to offer over the counter services to people from other parts of Oxford, while also working with groups interested in establishing CU activities in other parts of the city,
- Pursue the goal of joining a larger credit union from among those operating in the area (Oxfordshire and the adjacent counties) within the next two years, and
- Improve the IT platform and web-based service.

The lack of a completed business plan with financial forecast figures is extremely concerning not only because it is a very important regulatory requirement but even more crucially because of the financial issues that have been identified. This shortcoming needs to be addressed as a matter of urgency to help its short-term financial and strategic planning.

BLCU's strategic focus must be on directly addressing the financial disparity between its current expenditure to deliver its services with its deteriorating income situation because of extremely low lending levels and uncertain grant funding streams. It must drive up lending levels significantly without accompanying delinquency but this is not a quick or easy proposition for BLCU, given the demographic nature of its existing membership and its ability

⁷ The minimum regulatory requirement is a capital to asset ratio of 3%. If a credit union has not reached this level by September 2014 or drops below this levels for a sustained period and is unable to address this position, it will be instructed to transfer engagements or forced to close.

to reach out across its newly expanded common bond. Equally, it must drive down administrative expenditure and it will have little option but to continue to reduce its staff team further by cutting hours and making redundancies. However, undertaking this without affecting its operational hours, service quality and overall management of the business will be difficult unless it can supplement this with more volunteers.

Its recognised short-medium term solution to its financial problems identified both in its business plan but also during the consultation interview is a desired transfer of engagements into a larger neighbouring credit union. The concern being that unless it addresses some of these financial issues that it is not an attractive proposition.

1.2.4 Summary of strengths / weaknesses

Financial and business growth

Strengths	<ul style="list-style-type: none"> • Strong capital position – with capital/asset ratio of almost 9%, facilitated by the DWP Growth Fund capital legacy. • Good membership penetration rate of approximately 3.5% of local Blackbird Leys population.
------------------	---

Weaknesses	<ul style="list-style-type: none"> • Low membership numbers and small/declining growth – with membership that are concentrated amongst a narrow demographic profile. • The credit union is contracting across almost every financial indicator with 10% drop in net assets, 5% fall in members’ shares and 45% fall in lending over the last 12 months. • Concerning fall in lending, that has dropped by 68% in over last 3 years to a loan portfolio of just under £20,000, equivalent to 13% of members shares out on loan. • Very difficult to expand productive lending levels quickly when focused on a small area that has high levels of deprivation. • Currently unprofitable with a £9,000 deficit in last year - requiring sizable short-term planning to increase income and reduce expenditure and bad debts. • A clear financial plan and forecast to address its financial problems has not been presented – which would be a serious regulatory failing. • Without specific action, similar business trading that result in similar losses to those in 2014 would mean capital reserves falling below regulatory requirements within approximately 12-18 months. • High cost base for scale of delivery. • Extremely high grant dependency with only 22% of income generated – with ongoing requirement for annual funding commitment to maintain delivery. This is a particular risk in current climate of public sector cuts and
-------------------	---

	<ul style="list-style-type: none"> • High default levels with large write-offs and provisions as a proportion of the loan book.
--	--

Operational and service delivery

Strengths	<ul style="list-style-type: none"> • Long history of credit union service in local community. • Dedicated staff team that have been flexible to recent changes. • Long serving Directors that are committed to the credit union. • Well established presence in its community with strong connections with local community and faith organisations. • Track record of delivering capacity based lending via DWP Growth Fund.
------------------	---

Weaknesses	<ul style="list-style-type: none"> • Traditional approach/outlook to delivering CU services – severely limits ability to grow and reach new communities. • Medium term future reliant upon strategy of appealing to another credit union for a merger – but difficult to envisage. • Limited to delivering services from one localised office with limited operating hours and only serving a people living near outlet. • Lack of regulatory compliant business plan with financial forecast. • Very reliant upon one or two Directors to maintain operations – representing a high business continuity risk. • Low volume/levels of loans and limited capacity to increase lending • Current loan policy of requiring 3 months saving severely limits loan growth and support for those needing immediate access to borrowing – would benefit from capacity based lending (including credit reference information). • Undertaken expansion of common bond with no feasible plan or ability to serve those from outside immediate area. • Limited capacity/capability to deal with demand needed to expand business. • Basic range of financial products – especially to attract a broad membership. • Basic IT Accounting system – needing upgrade. • Limited public awareness of existence/function outside local community. • Very poor branding/marketing materials and substandard online presence that would not attract potential members.
-------------------	---

1.3 Direct comparison of the two credit unions

1.3.1 Key financial indicators

The key financial indicators for credit unions have been identified in the table and charts below for both of the credit unions in Oxford.

Indicator Figures in brackets show average British CU – where this is available. ⁸	Oxfordshire Credit Union⁹ Figures in brackets show % change from previous year	Blackbird Leys Credit Union¹⁰ Figures in brackets show % change from previous year
Total adult membership (2,951)	730 (-32.8%)	456 (-3.4%)
Total junior membership (357)	39 (0%)	65 (not know)
Total Net Assets (£3.47M)	£436,735 (17.4%)	£162,748 (-9.7%)
Member shares (£2.96M)	£426,029 (18.2%)	£149,305 (-5.2%)
Average share per member	£584	£327
Gross Loan Balance (£1.98M)	£137,140 (-19.5%)	£18,949 (-44.8%)
Number of loans (at year end)	167 (-18.5%)	48 (not known)
Loan / share ratio (67%)	32%	13%
Bad debt written-off	£26,818 (-12.1%)	£6,371 (not known)
% loan book written off	20%	34%
Bad debt provisioning	£5,122 (-75.1%)	£5,318 (-45.3%)
Total income (£71,000)	£75,258 (-6.3%)	£19,956 (-49.7%)
Grant income	£30,815 (-6.6%)	£15,472 (not known)
% income from grants and donations	41%	78%
% income from interest on loans	53%	17%
Total expenditure (£62,000)	£75,486 (0.1%)	£29,141 (-26.2%)
Profit/loss -after tax (£9,000)	£-793	£-9,276
Capital reserves (0.37M)	£10,706 (-6.9%)	£13,443 (-40.8%)
Capital/assets ratio – regulatory min requirement 3%	3.4%	8.9%
Liquidity ratio – regulatory min requirement 10%	51.3%	32.0%

⁸ Bank of England Prudential Regulation Authority – Credit Union Quarterly Statistics (December 2014) for England, Scotland and Wales.

⁹ Oxfordshire Credit Union - Audited Annual Accounts at 30/0914 or Annual Return at 30/09/14

¹⁰ Blackbird Leys Credit Union - Audited Annual Accounts at 30/0914 or Annual Return at 30/09/14

Chart 1: Total adult membership levels (actual and projected)

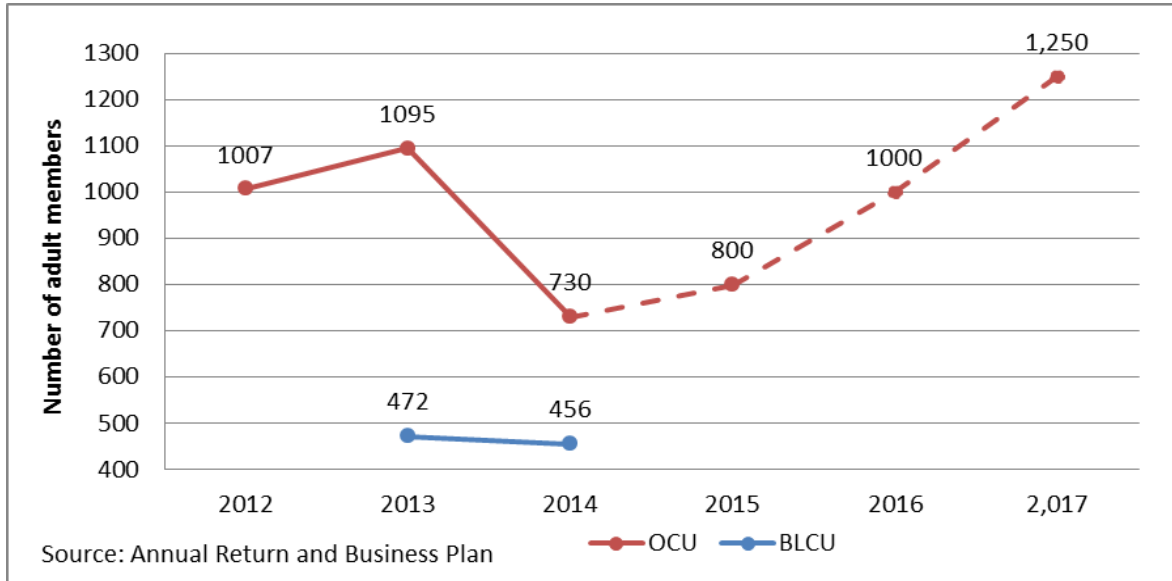


Chart 2: Total net assets (Actual)

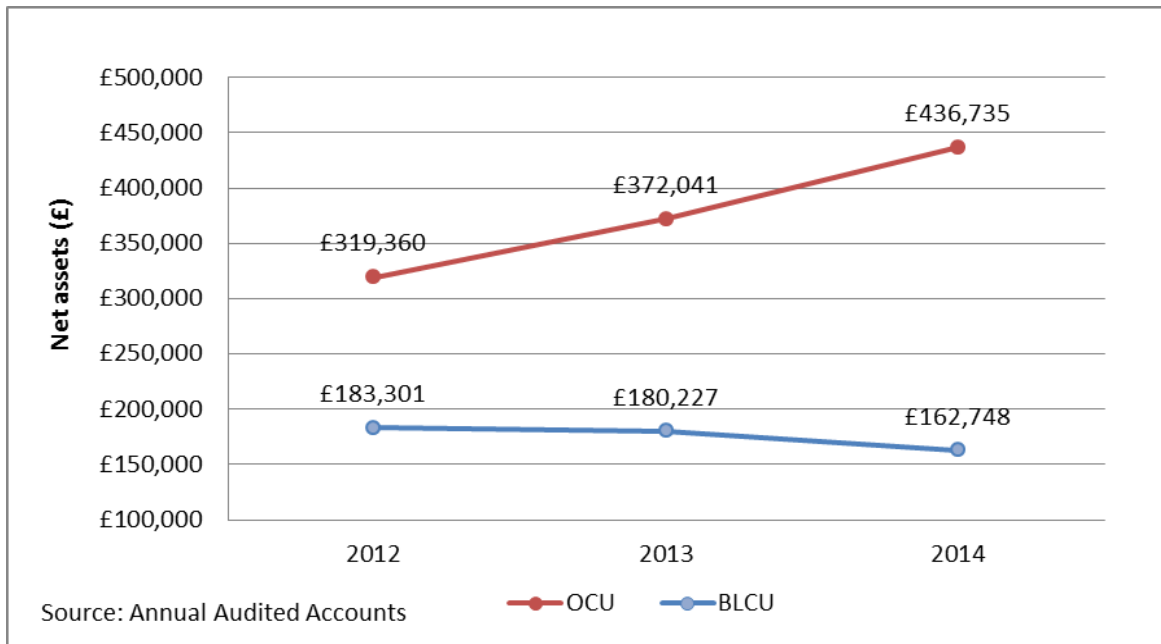


Chart 3: Total member shares and loan balances (actual and projected)

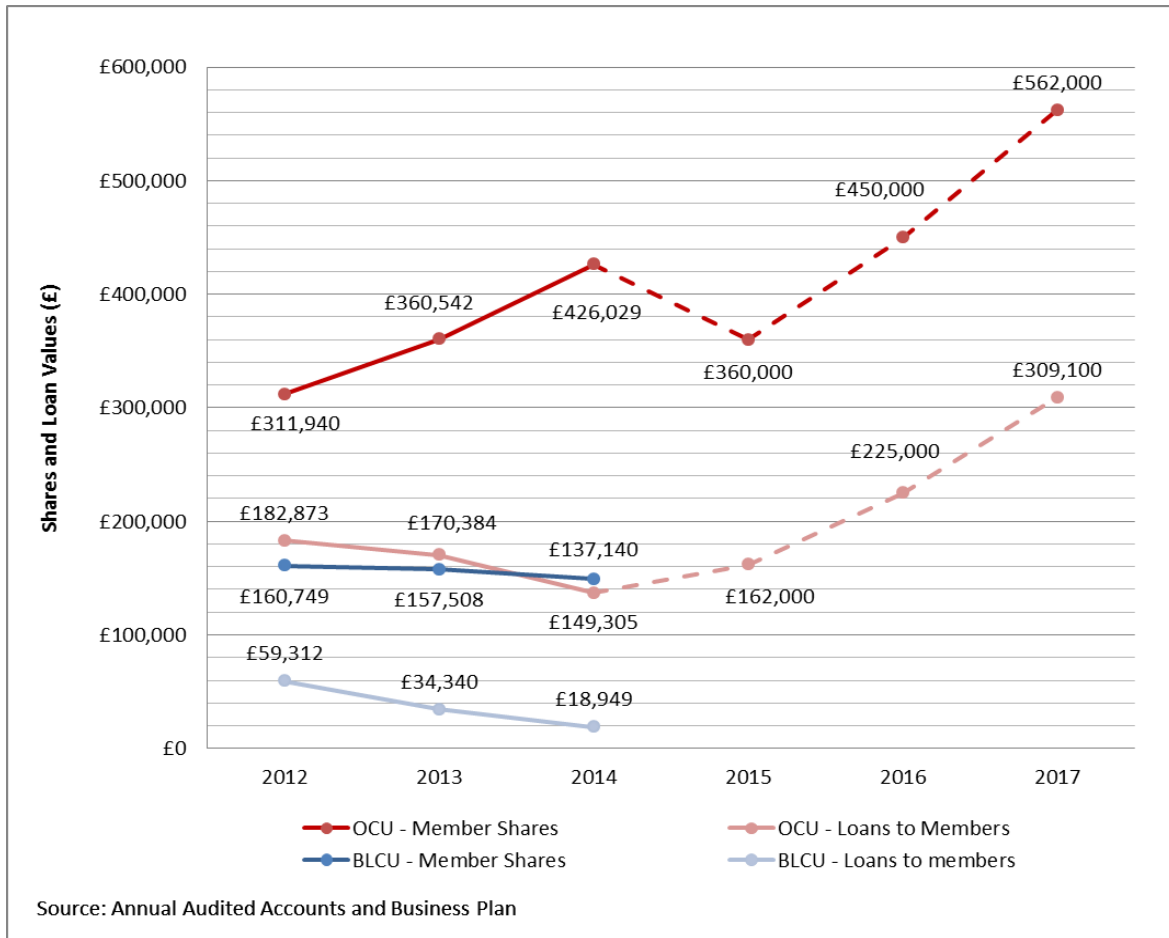


Chart 4: Net profit (actual and projected)

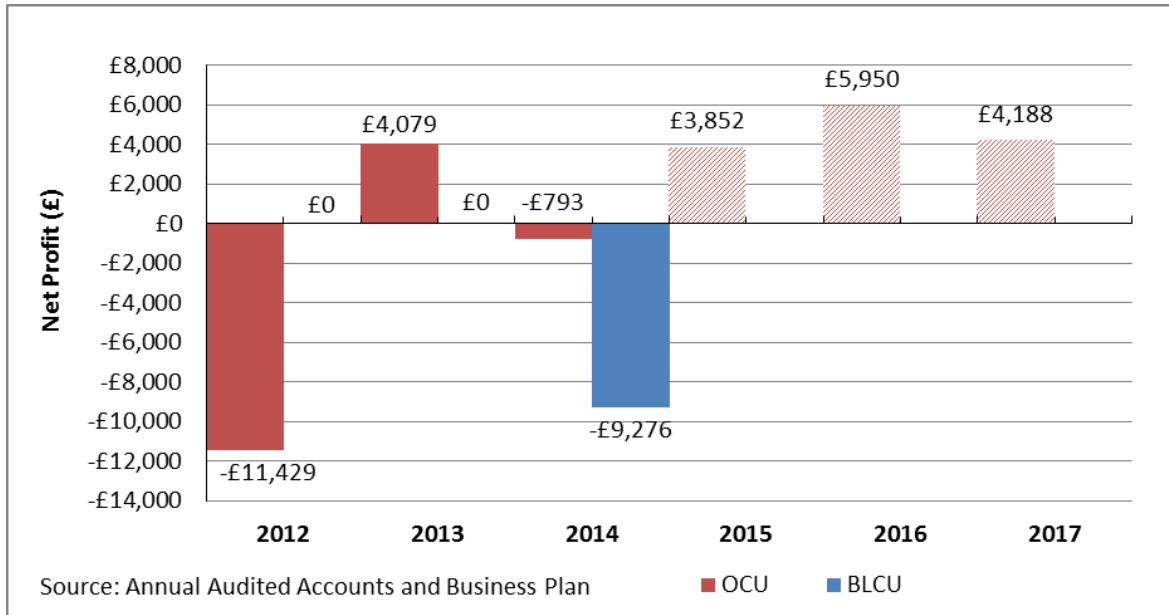


Chart 5: Income and expenditure (actual and projected)

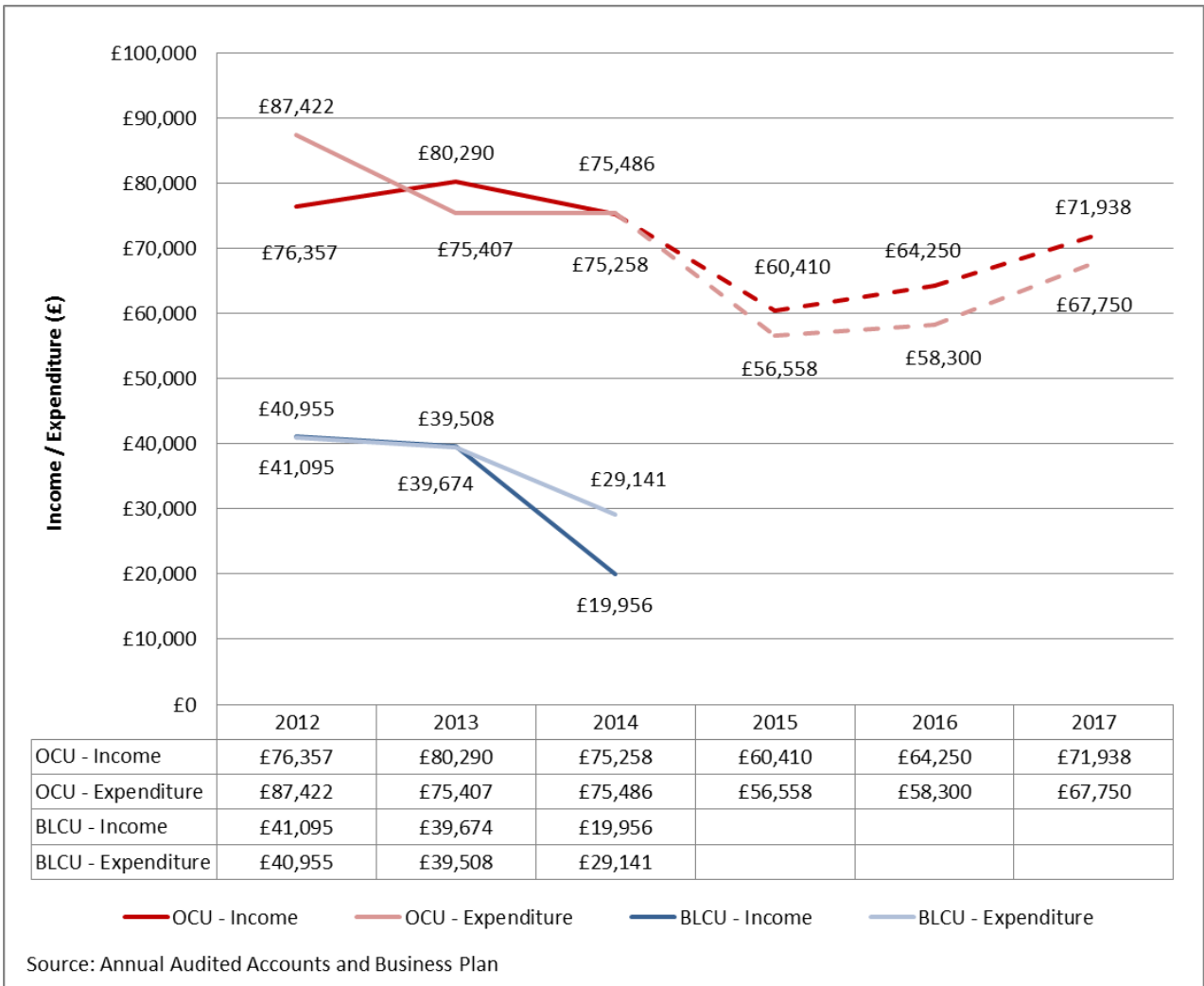
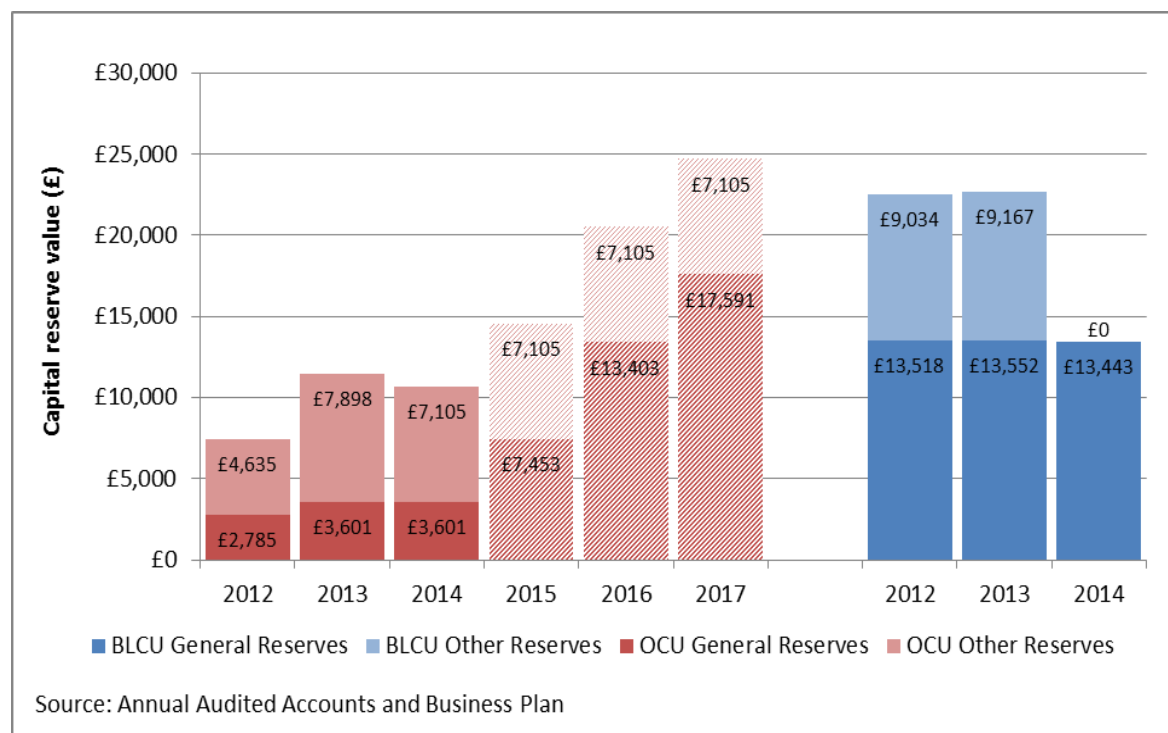


Chart 6: Capital reserves (actual and projected)



1.3.2 Product and service delivery:

Indicator	Oxfordshire Credit Union	Blackbird Leys Credit Union ¹¹
Number of offices/outlets:	1 (plus 2 other outlets)	1
Website	www.oxfordshirecreditunion.co.uk	www.bbclu.org.uk
Online membership process	No	No
Free life insurance (saving/loan)	Yes	Yes
Savings		
Main saving	Yes	Yes
Christmas savings	Yes	Yes
Holiday savings	Yes	Yes
Junior savings	Yes	Yes
Payroll deduction schemes	Yes (3)	No
Loans		
Saving requirement/multiple	Yes	Yes
Immediate loan	Yes (but only for those on payroll)	No

¹¹ Blackbird Leys Credit Union - Audited Annual Accounts or Annual Return at 30/09/14

	deduction)	
Loan application online	No	No
Banking services:		
Prepayment debit card	Yes	No
PayPoint card	Yes	No
Online banking	No	No
Telephone banking	Yes	No

In terms of product range delivered by the two credit unions the differences are not significant. Both would benefit from diversifying their product ranges to appeal to a broader range of customers. Both have a healthy range of saving products that expand on the main savings account, sometimes referred to as share account that is a requirement for all credit union members. These additional saving products look to provide specific saving accounts for specific purposes such as Christmas or Holiday.

One common area of potential improvement is with the diversity of both credit unions' loan portfolio. Both primarily adopt a very traditional loan policy based upon requiring prospective borrowers¹² to demonstrate a saving track record before being able to borrow a multiple of their savings. This lending approach can be perceived as reducing risk for the credit union, as it shows the individual can make payments and some proportion of savings are retained as security. Yet, it is not necessarily a good indicator of either a borrower's creditworthiness or their ability to afford the loan. Credit reference checks should be more readily introduced to facilitate greater numbers of applications from new members for instant access loans and help provide greater breadth of information to base creditworthiness and therefore reduce risk.

OCU has attempted to diversify its loan products to differentiate based on the size of the loan:

- 'Standard Loans' up to a maximum of £2,000 at an interest rate of 26.8% APR.
 - 'Larger Loans' of between £2,000 and £7,000 at an interest rate of 12.7% APR.
- It has also segmented or packaged loans for specific purposes or with specific terms to help stimulate loan demand this includes:
- 'Switch and Match Loans' that encourage members to transfer their loan to the credit union at a matched or reduced rate.
 - 'Family Loans' which automatically qualifies members for a loan when they have their Child Benefit paid into the credit union.

Both currently offer life insurance on savings and loans as a free benefit of membership, which both should be using much more as a key selling point for membership of the credit union.

In terms of delivery services, OCU has partnerships with Oxford City, South Oxfordshire and Vale of White Horse Councils to enable staff to make regular saving deposits or loan repayments direct from their salary.

¹² With exception of OCU members that are making payment via payroll deduction or fuel buying loan scheme.

While BLCU has maintained its ability for members to make cash transactions over the counter at its office, OCU has replaced its own cash office with a number of electronic delivery channels and three community outreach points that look to broaden access for its membership. It has implemented a prepayment debit card to increase access to member's money and deliver a form of transactional bank account that enables loans and saving withdrawals to be uploaded onto the debit card. This can then be used to make cash withdrawal throughout the ATM network, make purchases on the internet and telephone and pay for goods in shops (including obtaining cash-back). OCU also enable members to deposit cash deposits for savings or loan repayments via a separate PayPoint card accepted at a vast number of outlets across Oxford and nationwide.

Both credit unions have websites of varying quality, primarily used for information rather than member functionality. BLCU's online presence is of extremely poor standard but OCU has a recently redesigned an impressive website that is mobile compatible. It would benefit from additional functionality. OCU has also moved to offer a more comprehensive telephone service with longer opening hours and enabling members to undertake a variety of functions.

1.4 Potential merger of the two credit unions in Oxford

The research interviews unveiled just how close BLCU came to actually undertaking a formal transfer of engagements into OCU to amalgamate the two credit unions. It is clear that both parties were very serious and fully committed at one point to the merger with negotiations and due diligence work undertaken. Formal approval from the BLCU membership was even obtained at an Annual General Meeting and the paperwork was completed and ready to forward to the regulator. Yet, there was a change of heart at the eleventh hour by BLCU, which prevent the submission. This centred on OCU's new delivery model that, while retaining a face-to-face presence via a local outreach point in Blackbird Leys, would have meant the sacrifice of cash transactions. The credit union believes that this is fundamental to the needs of a large proportion of their clientele and that the most financially excluded members would struggle to adapt to accessing services via telephone, online and card facilities employed by OCU. This viewpoint is not based upon evidence or member consultation undertaken but a perception how their membership, particularly the frequent users of their office, might respond to such delivery methods. However, given the experience of OCU, where very few members were unable to make the transition, together with combining an outreach information point and local facilities that would enable cash payments to be made at 5 PayPoint outlets and free cash withdrawals at 3 outlets within 0.25 miles of the BLCU office¹³, it would be difficult to envisage significant numbers not being able to be supported to maintain access.

The merger would have also meant the loss of their longstanding staff team and running the operation of the outlet with volunteers, which while not strongly stressed during interviews, would also have been a prominent consideration.

During interviews, both parties are disappointed about the outcome, particularly OCU who expressed some frustrations about putting significant time and effort into the process and getting so close but falling at the final hurdle. Yet, while it would appear that relations have

¹³ Number of outlets obtained at www.paypoint.com and www.link.co.uk/ATMLocator using postcode OX4 6HW (accessed on 25/06/15).

been soured somewhat, neither party ruled out potentially revisiting the matter in the future, although remaining resolute about their particular delivery requirements.

In fact, BLCU are still actively pursuing a merger as a solution to their medium term financial issues, which is stated in their business plan as a strategic priority. In essence this would involve them operating an Oxford outpost for a larger neighbouring credit union and thus retaining both the cash facility and some degree of paid staffing resource. It is difficult to gauge whether this tactic will be successful in attracting a prospective credit union and what would be required in terms of possible commitments to secure funding locally to cover costs or reduce expenditure.

Given these circumstances, the conclusion of this research report may provide a timely opportunity for the Credit Unions to reflect on their own positions, and for the Council to facilitate a structured dialogue between them and explore potential areas of compromise and options for consideration.

3. Recommendations for expanding and enhancing credit union services in Oxford

Local authorities are uniquely placed to support and enable the development of modern, professional and successful credit unions, as they are locally responsive and have a clear understanding of the needs of the whole community, lead on the key local strategies within which credit unions can play a part and have the potential to provide leadership and influence within the community.

Nevertheless, any OCC strategy to support credit unions is greatly complicated by having two of them operating within in the city with two very different approaches, making it a much more delicate situation to navigate. Moreover, it is made more difficult given the local political context of Blackbird Leys Credit Union and its long history of delivering services within this deprived part of the city with its established community roots.

Having two credit unions is ultimately not productive. It duplicates effort and increasingly scarce resources as well as limiting the ability for credit union services in Oxford to flourish and fulfil their potential. It would be very easy for the Council to avoid taking any difficult decisions on this matter and either stand back, temper the provision of direct support and leave the two credit unions to develop organically. Alternatively, in the interest of trying to be seen to be fair, OCC could decide to offer equal access to the potential range of support, promotion and resources for both credit unions.

The first option, at a time when the need and opportunities for an effective credit union service to deliver significant impact has never been greater, would seem counter intuitive to the Council's priorities and challenges. It would also overlook the huge potential for Council's to make a step change in credit union services and drive growth by implementing some of the various support recommendations identified below. The second would overlook the significant contrasts in capacity, capability and potential of the two credit unions and their differing financial circumstances. Importantly, it would also dilute the impact that the Council's interventions could facilitate.

Given the reality of the two separate credit unions and the backdrop of pressure on public sector resources, it was clear at the outset that a wish list of unsuitable ideas and initiatives would not be useful, particularly if they would be extremely difficult to implement and secure the funding required to support a wide range of impressive sounding but hard to deliver proposals. Therefore, by exploring both good practice from elsewhere in the sector and examining the situation within each of the credit unions, the report outlines a variety of support recommendations for OCC to consider as well as changes that the credit union's themselves could adopt to enhance and expand their services.

1.5 Recommendations to credit union services in Oxford

The following options are put forward for the credit unions to consider in terms of general good practice and broad improvements and approaches that should be undertaken:

1. Become successful social businesses delivering social impact

The nature and purpose of some credit unions has often focused almost exclusively on the social objectives of credit unions to the exclusion of economic goals and long-term sustainability. This has not only led to small grant dependant credit unions but has helped foster the image of them as the 'poor man's bank', which further limits their growth and development.

The most successful credit unions that are community based and address financial exclusion are first and foremost successful social enterprises. It is only as a result of running effective businesses that recognise the importance of the management and financial skills needed to run a financial institution and operate profitably that they are then also able to deliver their social goals to serve those most excluded from mainstream financial services and deliver community impact.

2. Greater collaboration to achieve economies of scale

Developing individual credit unions as totally separate entities is high-cost and often limits effectiveness and growth. In other parts of the world, long-term success in expanding credit union services has been achieved through collaborative back-office delivery. In the UK, there is a growing case, particularly driven by the DWP Expansion Project, that collaboration offers a real opportunity to build scale and operational efficiency in the sector whilst retaining credit union's unique ethos and vision. Importantly, it enables even smaller credit unions to offer the same level and quality of service as larger financial institutions.

3. Broaden the membership base by product diversification

One of the key drivers of financial viability is diversifying the credit union membership to attract and serve all elements of the community. Credit unions cannot survive by serving a narrow profile of members alone, especially those on the lowest incomes, economically inactive and that are the most financially excluded. By maximising their coverage, widening their target market and prioritising the development of a range of financial products, it can attract a broader range of people to join credit unions.

Focus should be on attracting and serving low and moderate income working people by ensuring a range of more commercially attractive products and services. Credit unions need to offer a range of savings accounts, access to transactional banking, insurance and most importantly multiple loan products that are flexible and have competitive interest rates that will attract a diverse range of borrowers.

Only by purposefully refocusing its membership profile will credit unions start to become more sustainable, thus enabling them to deliver on their social goals of serving the most excluded.

4. Expand delivery methods to meet the changing needs of modern consumers

If a credit union is to appeal to all sections of the community it must also ensure that the way it delivers its services match the requirements of the customers it wishes to serve and not those of the credit union.

Services must to be convenient and available at all times of the day (or night) and not just when the credit union is open. Customers also want to be able to access services via a variety of methods, without the necessity to travel to a specific location, so credit unions are deliver services remotely, utilising new technology and making full use of online and telephone facilities as well as still offering face-to-face access. No matter who you are aiming to serve, everybody would like consistent, professional and attractive services and is unwilling to wait unacceptable periods to access them, so ensuring instant access to services that provides speed of decisions and processing is being essential.

Therefore the establishment of diverse and modern electronic delivery channels is pivotal to success in attracting a large and more diverse membership. Without modern telephone, mobile and online services and efficient methods of both depositing and accessing money it is difficult to see how credit unions can expand sufficiently. Such methods also help drive down costs for credit unions and improve the quality of service to members. In addition, such electronic channels support digital inclusion of many people within the local community.

5. Strong governance and management to meet business priorities and new regulatory environment

Credit unions increasingly need the strong leadership of effective boards and senior management if they are going to expand and respond to new business challenges. Furthermore, the new Senior Management Regime being implemented by the Prudential Regulatory Authority (PRA) will place a much greater accountability burden on individual Directors and Boards collectively. These factors will require credit unions to place a greater focus on recruiting of skilled and professional individuals to join boards, enhancing the knowledge and capabilities of current Directors through high level training and the development of high standards of governance, competency and decision making in the boardroom.

6. Increasing productivity of the loan book

It is essential that a credit union get as much of their members' deposits out on loan as a way to generate more income and to move towards financial sustainability. Currently, the majority of credit unions have significantly more capital funds than they are able to productively lend. Successful credit unions are highly effective lenders indicated by high loan to share ratios with the World Council of Credit Union (WOCCU) recommending that between 70% and 80% of member assets need to be out on loan in order to generate sufficient income to cover costs.

Refocusing the business to serve a wider profile of members with low and moderate incomes will help support a sufficiently large and robust loan book. To help simulate loan portfolios, a credit union needs to ensure it delicately balances its risk and credit assessment with a suitable loan policy, a variety of flexible and competitively priced loan products, efficient loan systems and procedures together with convenient delivery and speed in decision making.

7. Building relationships with key stakeholders to achieve greater impact

Unless credit unions build effective partnerships with a range of local organisations, they will struggle to reach across the entire community and deliver greater scale. Developing such mutually beneficial partnership with local authorities, social landlords, businesses and other local stakeholders can be time consuming and resource intensive to initially establish and maintain but are highly valuable.

8. Developing payroll deduction arrangements as the foundations for growth

Maximise membership through establishing payroll deduction facilities with local authorities, primary care trusts, companies and other large employers should be a key strategic goal. The benefit for credit unions is that it provides a closed pool of potential members that it can effectively promote to and that payroll deduction payments from an individual salaries are relatively stable.

1.6 Recommendations to Oxfordshire Credit Union

The following recommendations should be implemented to make further improvements to OCU that will address some of its identified weaknesses and continue its expansion and enhancement of its services in the most effective way:

1. Utilise credit reference agency information

It is recommended that the credit union explores the costs and practical deliver of accessing credit reference data to help provide detailed information on new and existing members. Unfortunately, it is difficult to see how credit unions with aspirations to grow and cover large geographic areas will be able to do so without engaging the services of one of the leading reference agencies.

Firstly and most pressing, credit reference agencies should be used to enable Identification verification to be undertaken. A credit union covering a city the size of Oxford, let alone Oxfordshire, needs to be able to facilitate membership applications with ID checking undertaken automatically and remotely. Secondly, building a loan book the size required to maintain sustain a large credit union, cannot realistically be achieved without serving new customers with immediate borrowing requirements and therefore necessitate the use of previous credit and affordability data to help identify creditworthiness. Even using a traditional model of lending, requiring members to demonstrate a savings history is by far failsafe method of guaranteeing loan repayment and often allows members to disguise overindebtedness and financial problems.

Finally, is the importance of passing information the 'other way' thus helping build the credit rating of credit union borrowers by uploading repayment data to the credit reference agencies.

2. Develop instant online membership

In order to meet the expectations of potential customers and make it a simple, quick and pain free process to join, OCU must enable online membership. This allows a perspective member to complete their form electronically and either allows the uploading of documentation or

links with credit reference data to verify the individual. This reduces the need in most case for documentation to be through the post or visit an outlet. The costs of using the service are more than outweighed by the membership growth potential and will particularly help improve access for both working residents and staff employed by payroll deduction partners. Moreover, it reduces administration cost through automatic uploading of information into the system preventing the need for manual input.

This facility is essential and should be established as soon as possible as not having it will severely limit the success of any payroll deduction arrangements and other efforts to increase membership and lending.

3. Streamline loan application processes and enable completion online

Similarly, the credit union should give immediate consideration to enabling loan applications to be completed fully or partially online. Many credit unions are moving to this facility, even if it is far from an automated decision making system and still requires manual assessment. At least giving the impression to a perspective borrower that they can complete and submit the application via the credit union website matches the ease and functionality of other online lenders.

4. Consider introducing of capacity based lending for new members

OCU has retained a slightly more traditional approach to lending in that, with the exception of those on payroll deduction or borrowing through the fuel buyer loan scheme, it requires an individual to be a member for at least 3 month and to have built up savings before being eligible. While this may give the credit union a sense of security in managing risk, it also limits the flexibility and attractiveness and competitiveness of loan products, especially when trying to broaden its borrowers.

Many credit unions have moved away from this savings requirement to introduce more rigorous income and expenditure assessments of capacity to repay, often combined with credit reference information. This has enabled these credit unions to make a more comprehensive assessment of an individual's ability to afford the loan and offer new members instant access to credit. This should improve its loan assessment process but will likely result in a higher proportion of declined loans, requiring such members to continue to demonstrate a saving track record.

5. Consider increasing interest rates for smallest value loans

Delivering low-value loans is extremely high cost, particularly when delivered by paid staff serving high-maintenance, high-risk members. Therefore, such loans must be priced accordingly. Research that analysed the costs involved of delivering a £300 loan at 26.7% APR¹⁴

¹⁴ Jones, P, (2008) 'From tackling poverty to achieving financial inclusion: The changing role of British credit unions in low-income communities', *Journal of Socio-Economics*, 37: 2141-54.

showed in the two staff run credit unions, it was impossible to recover the costs incurred in raising and administering the loan¹⁵.

OCU currently prices its loans under the value of £2,000 at an interest rate of 26.7% APR. It should review its loan admiration costs and consider introducing an additional pricing level for loans below say £750 or £1,000 at the new maximum interest rate for credit unions of 42.6% APR, which is still by far and away the cheapest available option for a cash loan of this value.

6. Develop secure online banking facilities for members

Credit unions are increasingly creating secure online banking facilities for members to enable them to undertaken certain actions such as balance checking, fund transfer and requesting loans. Not only does this match the functionality of mainstream banks but it also increases member self-service and thus helps reduce operating costs. There are a number of relatively low-cost 'off-the-self' packages that can be integrated into existing websites.

7. Continue to strengthen Board

As credit unions strive to expand and become larger and more complex financial businesses, it requires a step-change in skills and competency on the Board and development in strategic leadership and governance. OCU has already appears to have made progressive in developing a professional Board but will need to continue to address any gaps in knowledge and capability through recruitment and higher-level training programmes.

The credit union should look to undertake a review of the changing regulatory requirements for Director and match these to an internal skills audit in order to identify and specifically target volunteers with such expertise and experience.

8. Focus growth on payroll deduction expansion

Successful credit unions are often built on former employee-only credit unions or are extremely effective at maximising membership from new and existing payroll deduction arrangements. For OCU, this is almost an untapped growth opportunity that offers the ability to effectively attract new members who are working. It currently has just three payroll partnerships and it should be a key focus to increase the number of employers offering this facility by using key influencers such as the Council to help facilitate.

As important is actually maximising the penetration levels within each of its payroll deduction arrangements. It should look to develop a stand offer/approach that promotes the benefits to both the employer and the employee of engaging. Moreover, developing stand-alone/separately branded saving and loan products available to those making payroll payments should also be considered. Once these are in place together with delivery methods to enable greater remote access, it should establish internal communications plans with each to maximise promotion and awareness amongst staff.

¹⁵ In the first credit union, the income generated ranged from a loss of £39.60 to a surplus of £20.36 (with monthly electronic repayments) but with fully recovery calculation all loans resulted in a loss. In the second credit union, the typical loss on was calculated as £30.41.

9. Create an investment prospectus to seek capital funding from partners

While OCU currently meets capital assets provision requirements, it would benefit from securing additional investment to enable and facilitate its growth. Producing a short prospectus outlining how local stakeholders can support the credit union by making investments in the form of subordinated loans, could be used during forthcoming partnership discussions. It could also cover other key methods of engaging and supporting the credit union.

10. Development of transactional banking product

Access to transaction banking has often been regarded as a gateway to financial inclusion and has become of greater importance with the onset of Universal Credit. OCU's introduction of its prepayment debit cards offers members basic money transmission service and can be used to access cash at ATM machines, make internet and telephone purchases and obtain cash-back in shops. It has become an important lower-cost alternative for credit unions to having a fully functional current account facility for members.

This service should be further developed and packaged by OCU and promoted as a potential solution to unbanked residents or those with Post Office Card account wishing for more functionality. It should also be more prominently publicised as a benefit of partnership for local authorities and social housing providers.

11. Greater use of membership data and internal communication to target existing members

A number of credit unions that are shown to be growing dramatically are not only attempting to attract new members but maximising the internal communication and selling of products and services to existing members. Stimulating existing membership and ensuring that they are fully aware of the range of products is equally important. Credit unions should be utilising internal membership data to target members based on their demographic profile and previous use or non-use of different services. Similarly, maximising the use of text and email communication is hugely important throughout the credit unions operation and marketing is highly effective. Therefore ensuring that the credit union collects and updates this information is very important.

OCU has already made attempts to improve internal communication and now has a regular newsletter but should ensure that it has an internal marketing strategy to regularly contact and promote to its own members.

1.7 Recommendations to Blackbird Leys Credit Union

In addition to a number of the suggestions proposed above, the following recommendations are specifically directed to address some of the immediate financial issues and ensure the medium-term viability of the credit union service:

1. Strongly consider merger with OCU

Even with continued grant funding support, without serious address of its numerous financial issues, its medium term viability is by no means certain. The credit union itself recognises that

an amalgamation with a larger credit union is its main strategy for ensuring a credit union service can continue to be delivered in the local community. Yet, while the credit union maintains that a merger is its focus, it is difficult to see how attractive such a proposition would be to a credit union outside Oxford given the current circumstances and their stated preconditions.

The breakdown of the transfer of engagements into OCU hinged on maintaining the delivery of its local office within the Blackbird Leys community and its ability to offer cash facilities to members. Negotiations should be recommenced with support from the Council to explore the options for overcoming some of these requirements to ensure that it can amalgamate before its financial circumstance worsen and a credit union facility can be maintained locally.

2. Prioritise the production of a regulatory compliant business plan

BLCU does not currently have a completed business plan, which is not only a fundamental requirement of the regulator but an essential tool to help it address its current financial and operational issues. As a matter of priority, it should address this concern and ensure that it undertakes work to put in place a document that would satisfy the regulator. As a bare minimum this should include a three year financial forecast and a risk assessment of the credit union.

3. Undertake an internal audit review to ensure key compliance

Given the lack of a business plan, it would be prudent for the credit union, led by the Supervisory Committee, to undertake a compliance review to satisfy itself that the main regulatory requirements are currently being met. This should use the FCA Compliance Survey to identify high-level feedback in regards to the credit unions; business model, management and governance and systems/controls. An action plan should be implemented to address any key findings.

4. Increase lending to earn more income

Without a drastic improvement in lending, BLCU will struggle not to make another significant loss in 2014/15. It has prioritised raising its lending level to increase the income it earn from loans. However, as indicated earlier, sustainably increasing its loan book without accompanying delinquency will be a real challenge given its low and demographically narrow membership and its operational focus on small concentrated area of high deprivation. Moreover, its loan policy and lending process need to be improved to increase the volumes and provision of more high value and therefore profitable loans.

5. Significantly reduce operating expenditure

The credit union has little choice but to accelerate its efforts to reduce its operating costs. It is likely to need to find between £5,000 to £10,000 worth of savings. While the research team only have detailed breakdown of expenditure for 2014/15, this would indicate that such savings can realistically only come from reducing it staffing levels further. This will decrease operational capacity further and will need to be substituted with volunteers to maintain delivery levels and core operations.

6. Attract volunteers to support operational delivery

It is likely that whichever route the credit union chooses it will definitely require greater use of operational volunteers. It should look to promote opportunities for local residents using local networks and partners to help deliver the service. It should ensure it makes the necessary support and training preparations to be able to effectively bring these new volunteer on board.

7. Strengthen the Board to meet new regulatory regime

Again, if the credit union is unable to secure a suitable merger, it will need to make a concerted effort to strengthen its Board and Supervisory Committee to address identified business continuity risks and new regulatory requirements that are due to come into force. It is likely to need to undertake a gap analysis of its management composition and recruit individuals with core skills and experience to meet any identified needs.

8. Improvements to brand identity

Without a future transfer of BLCU operations into another credit union, it must dramatically improve its customer facing appearance overhauling it online, written communication and its branch. Most striking is its website, which is extremely poor and offers very little information, let alone functionality. Yet, the appearance of its office is outdated and shabby, which does not inspire confidence amongst existing and particularly perspective members. It would be easy and affordable to dramatically overhaul.

1.8 Recommendations for Oxford City Council

The following options are put forward in terms of those that can be undertaken relatively quickly by the Council and will take little or limited amount of resources to make them happen:

In order to support the development of a single credit union service in the city, Oxford City Council should look to:

1. Pursue discussions to reopen merger considerations and process

The ideal scenario would be the resumption of merger discussions between the two credit unions that ultimately leads to them join forces. While this will be a challenge and by no means guaranteed given recent events, the Council should be involved in this process, adopting an active facilitation role in supporting the process to overcome some of the key obstacles.

For example, Lambeth Council, with multi-party agreement, gave direct support, leadership and funding to enable to the transfer of Lambeth Savings and Credit Union, a struggling credit union, into London Mutual Credit Union in order to enhance credit union services for its residents.

The findings of this report would provide the ideal opportunity to bring the two credit unions together, open dialogue and act as a starting point for discussions. Internal mediation and

contract negotiation knowledge and expertise should be utilised and it may also be beneficial to engage independent expertise to support the initial discussions and subsequent process.

2. Utilise potential Council resources and support to encourage and shape merger discussions

As outlined below, the Council has a range of possible support and funding options available to enhance credit union services. Once it has determined its strategic approach, the Council should decide to apply some of these to facilitate and help persuade both parties to engage and deliver a merger.

In order to improve the strategic development of credit unions in Oxford, Oxford City Council should look to:

3. Implement a strategic approach to supporting credit unions in the city

Having taken into account the findings of this report and determining which recommendations that it wishes to take forward, the Council should develop and implement formal plan to enhance and expand credit union provision in the city. This could form an additional element of the financial inclusion strategy or be a standalone strategic plan that formalises the basis for credit union support including; what changes the Council wishes to instigate with milestones and performance targets, exactly how it will deliver the change and what resources will be provided. This will also ensure that the Councils approach is clearly defined and the entire organisation is formally engaged in the delivery of the strategy.

4. Inclusion of credit union services within other Council delivery strategies

OCC already makes reference to the work of the credit union to help deliver some of the aims of its Financial Inclusion Strategy. It could look to broaden this and include it within other appropriate local strategic delivery plan targeting worklessness and unemployment, fuel poverty, welfare reform, advice and debt reduction.

In order to increase awareness and maximise take up of the credit union amongst its local audience, Oxford City Council should look to:

5. Maximise OCC staff awareness and take-up of the credit union.

One of the simplest and most important things the Council could do is encourage its own staff to join the credit union. Like, a large proportion of other local authorities, it already has a payroll deduction arrangement in place with OCU but unfortunately only a handful of staff are currently using it. Once the Council is satisfied that progress has been made on a number of the recommendations, it should work with OCU to encourage greater staff awareness and participation to help deliver a multiple benefit.

Firstly, it will of course support the credit union's growth by providing new members and sources of savings and loan. Payroll deduction facilities via credit unions also offer a staff benefit that helps improve the financial wellbeing of its own employees by encouraging savings and providing access to affordable borrowing sources instead of high cost alternatives

such as payday loans. This is demonstrated amongst other local authorities who have their own in-house credit unions just for staff or those that proactively promote their local credit unions. Finally, it will also build first hand appreciation of the credit union amongst staff who will then be more likely to recognise the potential benefits to local residents within the context of their own work roles.

The Council could bring together interested staff from across the organisation with representatives from the credit union to explore effective methods of reaching and engaging staff. These should be developed into an action plan with a target of say 5% of staff joining the credit union each year. All key internal marketing and promotional channels should be used and communication department staff engaged to help deliver.

There are also examples of extremely successful staff incentives schemes within a number of social housing providers that have resulted in well over a third of staff at Notting Hill Housing, Circle Housing, and Octavia Housing joining their respective credit unions. A similar staff incentive scheme may also be explored and costed for OCC staff to identify if viable.

6. High profile membership sign-up of senior staff within the Council

There is nothing like leading by example and the senior leadership team should be encouraged to become members of the credit union with accompanying promotion to help raise awareness internally and externally. It will also build understanding and ownership at a senior level within the organisation.

7. Every local Councillor encouraged to become a member of the credit union

The Council should challenge every one of the 48 ward Councillors to become a member of the credit union if they are not already. It should contact each Councillor, providing information and strongly encouraging membership. Moreover it should plan a 'mass' sign-up event, where credit union representatives are on-hand to accept membership applications at a full Council meeting with follow-up publicity in in-house and external media channels.

8. Exert influence to actively engage large local businesses and suppliers to offer payroll provision

The Council should use its position and authority to directly approach senior staff and where appropriate Board members within large employers in Oxford. This could at least be targeted at the 24 firms based in the city with at least 200 employees (see Appendix 5) and its suppliers of all large contracts. The Council should seek introductory meetings to explore the benefits and what it would entail to establish and operate. This should first and foremost seek commitments to establish a payroll deduction facility and to widely promote the service to its staff. Moreover, this could then lead to wider engagement by the organisations to actively support the credit unions development as part of their Corporate Social Responsibility agenda. For every high profile company joining, local publicity should be undertaken to help wider credit union promotion.

9. Position support for credit unions alongside Living Wage requirements.

OCC may also want to explore opportunities to combine support for the credit union with the Council's status and wider work around the Living Wage. The two agendas would complement

each other well with the Council's encouragement of local firms and its perspective contractors to engage with the Living Wage being used to introduce other ways of supporting employees such as promoting access to credit union amongst their staff.

10. Approach senior representatives at social housing providers to engage with the credit union

The Council should identify those social housing providers with large stock concentrations in Oxford as well as the rest of Oxfordshire and actively co-ordinate their involvement with the credit union. Senior staff and Board members should be contacted to facilitate introductions to the credit union with a focus on the benefits that the credit union can deliver for residents, especially following the implementation of Universal Credit.

It should host an initial meeting and encourage attendance from all local housing providers. The aim should be to secure commitments to at least devise and implement a planned awareness raising campaign to all their residents. Furthermore, and particularly amongst those with large numbers of residents and staff, a more in depth partnership should be pursued at follow-up meetings. This should explore possible payroll deduction facilities for staff, provision of resources to support delivery, capacity training for staff and innovative approaches to engaging residents at different points of their tenancy.

11. Facilitate further partnership work with key local stakeholders

Similarly, the Council should be helping the credit union to engage and involve other local service providers, agencies and networks whose customers would benefit from accessing their services. This should include work to engage with the business and enterprise community, housing, education and young people, older people, voluntary and community organisations and faith groups. Again, one of the most productive methods would be for the Council to organise and host a series of events aimed at each subgroup of stakeholders that is tailored to details how the credit union can specifically help their clients and what support it needs from them.

12. Lead a promotional campaign to increase awareness across Oxford

An extremely important role that the Council should also play is using its position to raise awareness within the city of the credit union. As is the case nationally, there are extremely low levels of credit union recognition and the Council is ideally placed to help address this locally. It should recognise the credit union as one of the Council's key communication priorities and bring together credit union representatives and key staff to help devise key promotional messages and produce a comprehensive marketing and communications strategy specifically for the credit union. This should include general promotional opportunities and channels that use existing Council advertisement, publication and communication opportunities and could continually be used to reach local residents with messages about the credit union including:

- OCC website – with its own credit union section and regular homepage banners, pop-ups, articles and links.
- Your Oxford – including adverts in every edition and regular articles and inserts
- Presence at OCC organised community events throughout the year

- Literature such as posters, leaflets and banners distributed and displayed in OCC offices and facilities (such as sports facilities, libraries, community centres etc)
- Inclusion on reception area multimedia screen content
- Programme of pop-up presence at specific locations
- Social media strategy
- Messages on Council phone and email signature

In addition, it should also look to identify a number of existing communication campaigns on broader issues where there is synergy with the credit union, for example campaigns on debt, welfare reform, paying Council Tax, and include relevant information.

Finally, a number of specific campaigns should be developed and rolled out during the period, particularly around themes such as; affordable borrowing alternatives to specific types of high cost loans (payday loans, credit cards, home credit) or at specific times of year (Christmas or back to school) and joining the credit union as an ethical and local banking service.

13. Incorporate credit union services and promotion into appropriate Council services and customer interactions.

The Council should examine its own services and resident interaction points to begin to identify opportunities for incorporating promotional literature within the workflow process where the credit union could provide a support or solution for residents. Reviewing the various Council departments/services or communication interactions where specific credit union literature or direct referrals could be included would be extremely valuable for both parties.

There are a vast array of examples but could include, pre-tenancy stages for social housing allocation including specific information on using credit unions to save for deposits, access banking services and borrow affordably to furnish new properties, to including literature on saving or borrowing affordably for school uniforms in communications notifying of school placements and at the end of Spring and Summer terms.

14. Train frontline OCC staff on the credit union

To complement its marketing and communication work, the Council should plan a programme of short sessions for key frontline staff to raise internal awareness and build appreciation the benefits for residents of joining in specific Council areas. This could either be developed as a new standalone training module or incorporated into existing training sessions for frontline staff.

In order to help resource and strengthen credit union services, Oxford City Council should:

15. Maintain short-term revenue funding

Despite current public sector spending restraint, there is an immediate need for OCC to maintain its grant funding support for both the credit union services. Last year the Council provided £20,000 revenue funding for OCU via its commissioning program¹⁶ and £7,000

¹⁶ Representing 64% of its income from grants and donations or 26% of its total income in 2014.

revenue funding for BLCU through the social inclusion programme¹⁷. Currently, no funding commitments have been provided to either credit union but as the financial review shows, without the Council's financial support the two credit unions would struggle to cover their costs and could be forced to close without securing alternative funding sources.

Instead, the Council needs to review and confirm its overall approach to funding the two credit union services, ideally moving away from an annual grant to a more strategic and decreasing funding commitment over a number of years together with alternative capital investment. This way it gives the credit unions the ability to plan their finances and plan for reducing external funding but also enables the Council to use these resources to help shape effective credit union services. The aim should be use its resources to encourage a transfer of engagements in the short-term as well as the movement towards self-sufficiency overtime. OCU are clearly further down this path and within the next three years should reduce their grant dependency down to approximately £10,000 per year, equivalent to less than 15% of their income. In contrast, BLCU have stated that to deliver services to low income households there will always be a need for local government support.

The exact level of financial commitment would require careful consideration but given the timescales and consequences of ceasing funding commitments, it would be appropriate to at least maintain last year's funding commitments again in 2015. It would then be shrewd to outline future funding and support proposals for each credit union. For OCU, this would likely involve a graduated reduction to funding commitments that could halve each year to a level of £5,000 by 2017. With BLCU, the Council could use its funding to proactively encourage a merger with the prospect of support ceasing should this not be achieved. Furthermore, it may wish to offer on-going resources to ensure a face to face information point can be delivered locally.

All investment in credit unions should be contingent on meeting specific requirements, such as undertaking a merger as well as conditional upon the achievement of certain financial and operational targets, which should broaden focus not just on membership growth, but also on financial growth in savings, loans and assets.

16. Continue to monitor the financial positions of both credit unions

Given the financial issues highlighted during this report, it would be prudent of OCC to request ongoing financial information to observe the progress of both credit unions. The annual accounts and annual return should be available within 6 months of the end of September 2015 and should measure improvements or deterioration to key financial indicators and can be used to inform and the Councils actions to support each credit union.

17. Make one-off capital grants available to improve technology use and deliver enhanced services

As has been identified, the OCU would benefit from further use of online technology and software upgrades to improve the service delivery and increase access. Without capital funding, a number these much needed improvements may not happen or will need to wait for funding to be identified and secured. Therefore, the Council should consider providing one-off

¹⁷ Representing 45% of its income from grants and donations or 35% of its total income in 2014.

funding for specific enhancements to create secure internet banking facilities, enable online membership and loan application facilitates together with greater integration of phone, text and email communication.

The extent and exact costs of such technology investment would need to be explored with OCU but is likely be in the region of £10,000 to £15,000 for such upgrades to their systems.

18. Longer term capital invest to build financial strength of the credit union

Without sufficient capital, credit unions will be restricted in their growth potential. Local authorities are increasingly becoming strategically important sources of investment to help credit unions adapt, strengthen financially and meet their capital requirements as they expand. As identified earlier, OCU would benefit from investment to strengthen their balance sheet and ensure their capital levels keep up with their growth. There are two options for such investment.

Firstly, deferred shares could be deposited by the Council, which would count towards the credit union's capital position. However, this is a far less appealing form of investment as it is transferable, but not withdrawable, and therefore are generally repayable only on winding-up or dissolution of the credit union, after all creditors have been repaid.

A more appealing and increasingly common method of local authority investment would be in the form a long-term, interest free sub-ordinated loan. For example, over the last 5 years London Capital Credit Union secured subordinated loans from Islington Council (£250,000) and Haringey Council (£750,000). Credit Unions operating under Version 1 requirements must transfer 20% of surplus to general reserve, until such time as the reserve is built up to 10% of assets. This protects the credit union viability and financial stability. A subordinated loan has the dual benefits of maintaining this required level of capital in the general reserve as it grows, but also allowing the credit union to release its surpluses to fund additional marketing, service delivery and operational development.

The potential initial investment required would be significantly less than these examples due to the smaller financial scale of OCU's operations and would instead be in the region of between £50,000 and £100,000 with a 10 year term.

19. Help facilitate volunteering within the credit unions to support operations

The Council should work with the credit union and local and national volunteering providers (such as Volunteer Centre Oxford) to promote opportunities for local people to get involved with their local credit union. Moreover, it should also promote and actively encourage its own staff to use their voluntary time to take up volunteering opportunities with the credit union.

These could range from individuals using their existing skills and expertise (such as IT, finance, business planning and growth etc) to either join the Board or undertake a specific one-off role or task, to operational volunteers to help with marketing or running a weekly face-to-face community outlet. Council staff could also help to champion and promote take-up internally amongst other colleagues.

20. Make Council facilities available to the credit union

Making appropriate Council outlets / facilities available in-kind to the credit union for new community outreach points would support the delivery of face-to-face services. This mapping of potential sites should be undertaken with the credit union to identify current gaps and ensure that locations are suitable and can be resourced with local volunteers.

21. Explore potential contractual arrangements for the credit union to deliver services for the Council

Across the country, there is growing expectation that credit unions should not be just the recipients of support but rather would be active participants in mutually-beneficial initiatives and programmes. Alongside this expectation, there has been a move towards more contractual arrangements between credit unions and local authorities. There are a number of examples of such arrangements where both parties have worked together to develop specific interventions, products to meet specific needs amongst residents or credit unions administering elements of Council services. For example, there are credit unions administering specific grant or loan schemes such as Local Welfare Assistance or Home Rescue Loan schemes on behalf of local authorities, designing and operating specific financial products to address issues such as loan product for furnishing new Council properties, or opening transactional accounts for Council payments or reimbursements to be made when a resident doesn't have a transactional account.

With OCU's pre-payment debit card, it opens up the range of new opportunities for the Council work with the credit union to respond to the direct payments and its personalisation agenda. This exercise should be explored when potential Council services and resident interaction points are reviewed with a range of opportunities identified for consideration.

Appendix

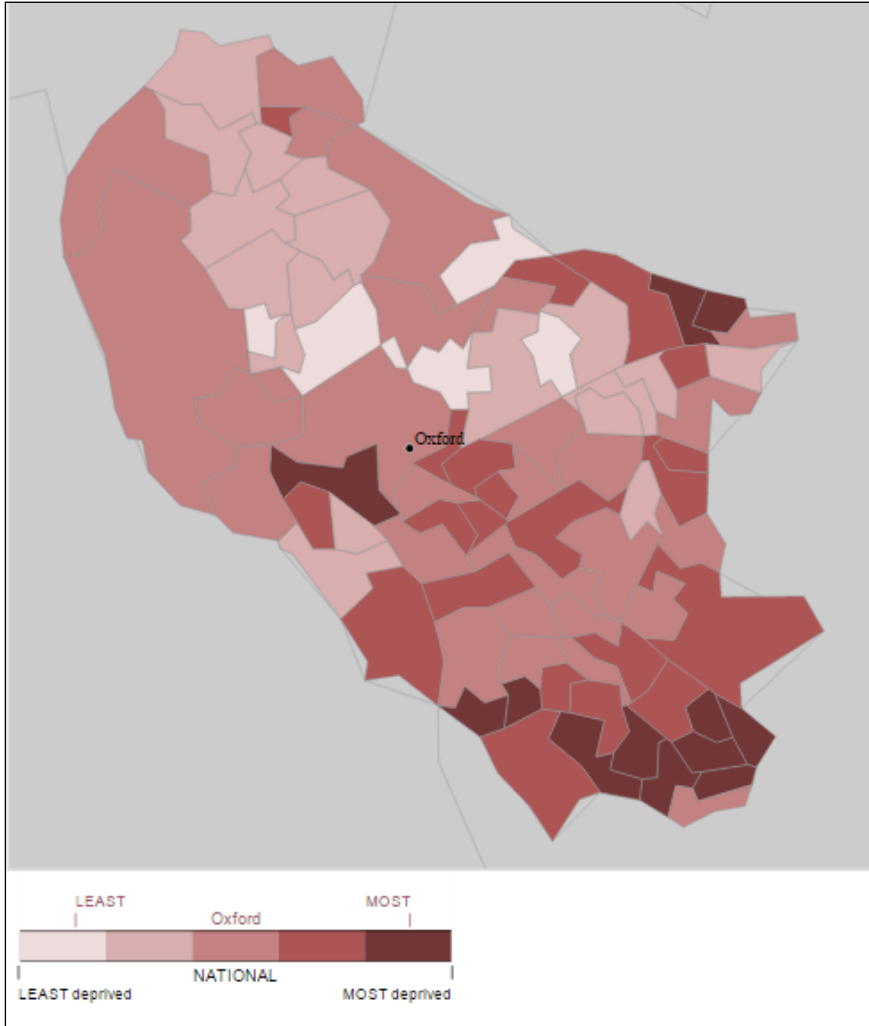
Appendix 1 - Audited Annual Accounts: Income and Expenditure (BLCU and OCU)

	Blackbird Leys Credit Union			Oxfordshire Credit Union		
	2012	2013	2014	2012	2013	2014
Income						
Interest from loans to members	-	-	-	£41,806	£40,918	£38,587
Investment income	-	-	-	£1,818	£4,019	£2,823
Subtotal	-	-	-	£43,624	£44,937	£41,410
Other income						
Grants	-	-	-	£25,500	£23,750	£28,298
Donations	-	-	-	£6,651	£9,249	£2,517
Entrance and exit fees	-	-	-	£122	£826	£131
Bad debt recovered	-	-	-	£300	£1,270	£2,677
Other	-	-	-	£160	£258	£225
Subtotal	=	=	=	£32,733	£35,353	£33,848
TOTAL INCOME	£41,095	£39,674	£19,956	£76,357	£80,290	£75,258
Expenditure						
Bad debts	-	-	-	£26,757	£20,769	£14,041
Administrative Expenses	£40,955	£39,508	£29,141	£60,665	£54,638	£61,445
TOTAL EXPENDITURE	£40,955	£39,508	£29,141	£87,422	£75,407	£75,486
Operating surplus (deficit)	£140	£166	-£9,185	-£11,065	£4,883	-£228
Corporation Tax	£140	-	£91	£364	£804	£565
Net Profit	-	£0	-£9,276	-£11,429	£4,079	-£793
Dividends	-	-	-	-£1,329	-	-
Transfer to general reserves	-	-	-£9,167	-	£816	-
Transfer to other reserves	-	-	-£109	-£12,758	£3,263	-£793

Appendix 2 - Audited Annual Accounts: Balance Sheets (BLCU and OCU)

	Blackbird Leys Credit Union			Oxfordshire Credit Union		
	2012	2013	2014	2012	2013	2014
Fixed Assets						
Tangible fixed assets	£143	-	-	£1,117	-	-
Investments	£61,756	£157,774	£106,996	-	-	-
Subtotal	£61,899	£157,774	£106,996	£1,117	£0	£0
Current Assets						
Loans to members	£59,312	£34,340	£18,949	£182,873	£170,384	£137,140
Less provision for bad debt	-£11,283	-£9,730	-£5,318	-	-	-
Debtors (inc interest due)	£626	£356	-	£430	£1,487	£10,702
Fixed rate bond	-	-	-	£30,000	£25,000	£25,000
Bank deposit account	-	-	-	£55,556	£127,415	£142,578
Cash at bank	£91,567	£14,978	£49,198	£58,108	£56,559	£129,900
Prepaid Expenses	£221	£977	£210	-	-	-
Subtotal	£140,443	£40,921	£63,039	£326,967	£380,845	£445,320
Current liabilities						
Loan repayable	-	-	-	£0	£5,000	£4,950
Audit fees	-	-	-	£3,360	£3,000	£3,000
Other accruals	-	-	-	-	-	£71
Corporation tax payable	-	-	-	£364	£804	£564
Subtotal	-	-	-	£3,724	£8,804	£8,585
Creditors						
Junior deposits	£9,936	£6,600	£5,752	-	-	-
Grants	£7,643	£10,456	£354	-	-	-
Corporation Tax	£321	£452	£102	-	-	-
Sundry creditors & accruals	£1,141	£960	£1,079	-	-	-
Subtotal	£19,041	£18,468	£7,287	£5,000	£0	£0
Net Current Assets	£121,402	£22,453	£55,752	£318,243	£372,041	£436,735
TOTAL NET ASSETS	£183,301	£180,227	£162,748	£319,360	£372,041	£436,735
Capital and Reserve						
Members share balance	£160,749	£157,508	£149,305	£311,940	£360,542	£426,029
General reserves	£13,518	£13,552	£13,443	£2,785	£3,601	£3,601
Other reserves	£9,034	£9,167	-	£4,635	£7,898	£7,105
	£183,301	£180,227	£162,748	£319,360	£372,041	£436,735

Appendix 3 – Deprivation levels in Oxford



Source: Indices of Deprivation (2010) by Lower Super Output Areas

Number of people in Oxford who are income deprived ¹⁸	16,788
--	--------

Lower Super Output Areas (LSOA) within top 20% most deprived in the country

¹⁸ Indices of Income Deprivation (2010)

LSOA	Ward	Deprivation Extent	Rank of extent ¹⁹
Oxford 018B	Northfield Brook	45.23	3,165
Oxford 016F	Rose Hill and Iffley	44.49	3,346
Oxford 018A	Blackbird Leys	42.85	3,740
Oxford 018C	Northfield Brook	42.46	3,844
Oxford 005B	Barton and Sandhills	41.74	4,043
Oxford 005A	Barton and Sandhills	41.57	4,096
Oxford 017B	Blackbird Leys	40.43	4,438
Oxford 016A	Littlemore	38.45	5,037
Oxford 008B	Carfax	37.80	5,245
Oxford 017A	Blackbird Leys	37.68	5,296
Oxford 016E	Rose Hill and Iffley	36.80	5,575
Oxford 017D	Northfield Brook	35.24	6,133
Oxford 016B	Littlemore	33.72	6,651

¹⁹ Where 1 is most deprived and 32,482 is least deprived.

Appendix 4 - Social housing providers in Oxford (and Oxfordshire)

Social Housing Providers	Total Stock Numbers	
	Oxford	Rest of Oxfordshire
A2Dominion Group Ltd	1,943	622
Oxford Citizens HA Ltd	1,372	1,343
Catalyst Housing Ltd	1,244	479
Home Group Ltd	299	227
Anchor Trust	215	155
Bromford Housing Association	134	547
SOHA Housing Limited	85	5,249
BPHA Limited	75	62
The Riverside Group Ltd	69	-
Jephson HA Ltd	68	117
Advance Housing & Support Ltd	57	192
Hastoe Housing Association Limited	55	1
Sovereign Housing Association Ltd	36	7,277
Wyndham Housing Association Ltd	33	-
Thames Valley Charitable HA Ltd	27	299
Housing 21	26	206
Bromford Home Ownership Ltd	10	17
Frontis	2	-
Co-op Homes (South) Ltd	1	1
Moat Homes Limited	1	7
Shepherds Bush Housing Group	1	-
Southern Housing Group Ltd	1	50
Ability Housing Association	-	21
Affinity Sutton Homes	-	42
Buckinghamshire HA Ltd	-	4
Circle Housing	-	22
Cottsway Housing Association Ltd	-	3,861
Dimensions UK Ltd	-	17
East Homes Ltd	-	1
English Rural Housing Association Ltd	-	33
Hanover Housing Association	-	162

Henley & District Housing Trust Ltd	-	67
London & Quadrant Housing Trust	-	194
MacIntyre Housing Association Ltd	-	4
Methodist Homes Housing Association	-	23
National Council of YMCAs	-	31
Notting Hill Home Ownership HA Ltd	-	1
Paradigm Housing Association	-	361
Places for People Homes Ltd	-	11
Raglan Housing Association Ltd	-	117
Sanctuary Housing Association	-	5,898
Thame & District HA Ltd	-	72
The Abbeyfield Society	-	22
The Guinness Partnership	-	210
Wandle Housing Association Ltd	-	1
TOTAL	5,754	28,026

Source: <http://www.nhfdirectory.co.uk/authority/>

Appendix 5 – Number of Employers based in Oxford (with over 200 staff based in Oxfordshire)

Employer	Total staff	Staff in Oxfordshire	Location
Oxfordshire County Council	22,000	22,000	Oxford
The University Of Oxford (includes OUP)	18,000	18,000	Oxford
Oxford Radcliffe Hospitals NHS Trust	10,136	10,136	Oxford
BMW (UK) Manufacturing	8,000	3,700	Oxford
Oxford Brookes University	2,800	2,800	Oxford
NHS Oxfordshire	2,500	2,500	Oxford
Oxfordshire & Buckinghamshire NHS Trust	3,008	2,144	Oxford
Oxford City Council	1,300	1,300	Oxford
Oxford & Cherwell Valley College Oxford	1,000	1,000	Oxford
Unipart Group	8,200	1,000	Oxford
Oxfam	1,856	822	Oxford
Nielsen	635	635	Oxford
Amey plc	11,000	550	Oxford
City of Oxford Motor Services (Oxford Bus Company)	543	543	Oxford
John Wiley & Sons	629	455	Oxford
Blackwell UK	1,604	400	Oxford
Stagecoach	18,000	400	Oxford
Timbmet Group	364	364	Oxford
Four Pillars Group	720	358	Oxford
Dragon School Trust	270	270	Oxford
Grafton Merchanting GB Ltd	4,600	260	Oxford
Becton, Dickinson U.K. Ltd	932	240	Oxford
Symm Group Ltd	276	231	Oxford
Evotec (UK) Ltd	500	218	Oxford
TOTAL	118,873	70,326	

Source: Insight Oxfordshire – Top 100 Employers (2011)

This page is intentionally left blank

To: Finance Panel (Panel of the Scrutiny Committee)

Date: 30 June 2016

Report of: Executive Director for Organisational Development & Corporate Services

Title of Report: Support for Credit Union Services

Summary

Purpose of report: To update the Finance Panel on Council support for credit union services

Executive lead member: Councillor Susan Brown, Board Member for Customer and Corporate Services

Report author: Paul Wilding, Revenues and Benefits Programme Manager

Background

1. The Finance Panel met with representatives of Oxfordshire Credit Union at its meeting on 7 April 2016. In discussion the Panel observed that:
 - The Council did not appear to have provided a response to the recommendations made to the Council in the evaluation report.
 - Clarity was needed as to whether the Council's Treasury Management Strategy would preclude it from providing a subordinated loan to a credit union.
 - There may be an opportunity for the Council to do more to integrate Discretionary Housing Payments with credit union services.
2. The Panel also agreed to:
 - Request a written report setting out the Council's response to the recommendations made to the Council in the evaluation report.
 - Invite the two credit unions operating in the city to a future meeting at which the written report would be considered, at which point the Panel may wish to agree one or more recommendations to put to the City Executive Board.

Support for credit union services

3. A Credit Union is an organisation where members pool their money in order to be able to loan money to each other and provide some other financial services, as agreed by the Membership. They are intended to be a self-sustaining organisation, without reliance on external funding. The Council has provided significant financial support to both Oxfordshire Credit Union (OCU) and Blackbird Leys Credit Union (BBLCU), including providing funding to support a merger which did not then take place. From 2011/12 to 2015/16, £100,000 has been provided to OCU, and £32,000 to BBLCU.
4. Following the failure of the merger, a year of dialogue followed between the Council and Credit Unions to understand why the merger failed and to consider a way forward. This was largely unproductive and so it was agreed to jointly commission an independent report into the future of Credit Unions in Oxford.
5. The resulting report made a number of recommendations to both Credit Unions and the Council. These were discussed at a meeting including the Credit Unions, officers and the portfolio holder for financial inclusion. We made it clear to both credit unions that in order for the Council to actively promote them to our staff, regular dividends needed to be paid to savers and reasonable loan rates needed to be available for borrowers and that we needed to be satisfied about their future viability.
6. We would welcome an opportunity to discuss the report at the Finance Panel. The Council recognise OCU have acted on all the recommendations made specifically for them. A further £12,500 grant was awarded to them last financial year although this should not be seen as a predictor of future grant.
7. OCU have requested that the Council promote their organisation to Council staff. However, on the basis that a dividend hasn't been provided to investors for some years, concerns over the competitiveness of the loan rates and the fact that the Council has the facility to provide financial support to staff who are experiencing difficulties with money, we have no current plans to promote OCU to staff.

Name and contact details of author:-

Name: Paul Wilding
Job title: Revenue and Benefits Programme Manager
Service Area / Department: OD & Corporate Services Directorate
Tel: 01865 252461 e-mail: pwilding@oxford.gov.uk

List of background papers: None
Version number: 1

FINANCE PANEL (PANEL OF THE SCRUTINY COMMITTEE)

Thursday 7 April 2016

COUNCILLORS PRESENT: Councillors Simmons (Chair), Fry and Fooks.

OFFICERS PRESENT: Anna Winship (Management Accountancy Manager), Tanya Bandekar (Service Manager - Revenues and Benefits) and Andrew Brown (Scrutiny Officer)

GUESTS PRESENT: Mark Luntley and Sue Tanner (Oxfordshire Credit Union) and Steve Drummond (Low Carbon Hub)

1. APOLOGIES

The Panel was advised that Councillor Hayes would be 15-20 minutes late.

2. DECLARATIONS OF INTEREST

The Panel noted for the record that Councillor Fooks was a member of Oxfordshire Credit Union and had invested in the Low Carbon Hub.

The Panel also noted for the record that Councillor Simmons was an advisor to the Low Carbon Hub on a voluntary basis and had invested in the Low Carbon Hub.

3. COUNCIL TAX EXEMPTIONS AND DISCOUNTS

The Revenues and Benefits Service Manager introduced the report. She explained the different types of Business Rate reliefs and said that government had frequently made changes to the types and levels of reliefs offered. Planned changes being consulted on included the doubling of the Business Rates threshold from the rateable value of £6,000 to £12,000, with tapered relief up to £15,000. Government had announced that grant funding would be provided to compensate local authorities for lost income. Revaluations were also expected to take place more frequently in future.

The Localism Act enabled the Council to grant discretionary rates relief ranging from 0-100% to any business, however, this resulted in a direct cost to the Authority. The Council had a policy in place and considered applications on a case by case basis, although relatively few requests were received. The Panel noted that some community based organisations that had been declined a discretionary relief may benefit from the raising of the Business Rates threshold.

The Panel commented that the financial impact of mandatory reliefs appeared to be very high at £20.5m and questioned how certain Council Officers were that mandatory reliefs granted were legitimate. The Panel heard that these reliefs would apply to organisations such as colleges and schools. Businesses had a duty to inform the Council of any changes to their status and the Council had a

timetable for reviewing Business Rates reliefs over the coming year (Appendix G). The Panel questioned whether there would be a case for increasing resources to carry out more regular reviews and whether this might raise Business Rates income.

The Panel noted that some major Business Rates appeals were taking place and the possibility of successful backdated appeals represented a major risk to the Council.

The Panel asked about the enforcement of Council Tax discounts and exemptions, noting that there appeared to be a high number of discounts and exemptions granted. The Panel heard that the Fraud Investigations Team had recently doubled in size and was able to cross-match different sources of data and flag anomalies. This would inform the areas that warranted further investigation and the Single Person's discount was likely to be one of these.

In response to a question about resourcing, the Panel heard that rolling reviews would be more manageable and that the only resourcing challenge was managing a peak in workload each September due to some 7,000 student processes.

The Panel welcomed the work that was taking place to reduce fraud.

The Panel requested the following information:

- The financial impacts of Business Rates reliefs provided due to the redevelopment of Frideswide Square and the closure of St. Clements car park.
- The numbers of changes that were identified in-year that would affect the mandatory reliefs provided to businesses.

The Panel AGREED to make the following recommendations to the City Executive Board:

1. That a cost benefit analysis takes place at an appropriate time to determine what level of Fraud Investigation resources would maximise Council revenues.
2. That consideration is given to whether resources can be increased in the Revenues Team a temporary basis in order to manage peaks in workload such as during the annual student turnover.

4. OXFORDSHIRE CREDIT UNION

Mark Luntley, Chair of Oxfordshire Credit Union (OCU), introduced the work of OCU. He said that OCU had been going for ten years and had £0.5m in savings, £250k out in loans and 800 active members. This represented a 10% increase in membership over the last six months and had been achieved by working with local employers.

There were some 2000 people in Oxford with pay day loans and £1.7m was taken out of the local economy in interest payments on these loans.

A proposed merger with Blackbird Leys Credit Union had not taken place because an office-based model was not considered to be viable for OCU, which

had received only seven visitors in a six month period as opposed to 700 telephone contacts.

Mark Luntley said that the 'Evaluation of Credit Union Services in Oxford' report that had been commissioned by the Council was an excellent report and that OCU had implemented or was in the process of implementing all 12 recommendations. The report also made 21 recommendations to the Council. Of these, there were four things that the Council could do to support OCU that would be of most benefit in terms of addressing financial exclusion in the city. These were promoting OCU to council staff, promoting OCU to council tenants, providing a tapering grant to OCU until it is fully viable and providing a subordinated loan to build OCU's capital reserves.

In response to a question about promoting OCU to council staff, the Panel heard that the Council already had a pay in advance scheme (which had low take up) but that some staff may not wish to make their employer aware that they were in financial difficulty. OCU provided a different scheme which required borrowers to save and would over time steer them out of debt. OCU had agreed with other employers not to promote the higher interest rate short-term loans that they had started to offer, within very tight constraints, following a recommendation in the evaluation report.

The Panel heard that OCU had not yet asked the Council for a subordinated loan but several other local authorities had provided loans to credit unions and any loan would be paid back with interest.

In discussion the Panel observed that:

- The Council did not appear to have provided a response to the recommendations made to the Council in the evaluation report.
- Clarity was needed as to whether the Council's Treasury Management Strategy would preclude it from providing a subordinated loan to a credit union.
- There may be an opportunity for the Council to do more to integrate Discretionary Housing Payments with credit union services.

The Panel AGREED to:

- Request a written report setting out the Council's response to the recommendations made to the Council in the evaluation report.
- Invite the two credit unions operating in the city to a future meeting at which the written report would be considered, at which point the Panel may wish to agree one or more recommendations to put to the City Executive Board.

5. LOW CARBON HUB FUNDING MODEL

Steve Drummond, Non-Executive Director (Investment) of the Low Carbon Hub (the Hub), said that the Hub aimed to reduce energy usage and create renewable energy by working through communities. He explained the Hub's funding model relied on raising money in the community and had a multiplier effect. The model did not rely on tax breaks or incentives and it offered investors a return that was 3% above base rates.

Steve Drummond said that Feed-in Tariffs (FITs) on solar electricity systems had balanced European Union import tariffs but the removal of FITs announced in October had made new solar projects unviable. There was now a hiatus that was expected to be resolved within two years through successful lobbying or Brexit (British exit from the European Union). There had been a rush prior to the FITs changes that would keep the Hub busy with projects for the next 12-18 months.

The Hub would be issuing a call for capital in the coming weeks and aimed to raise £3m. Together with £2m from the Charity Bank this would fund £2m of solar electricity systems on schools and a £3m hydro project at Sandford which was expected to be the largest such project on the river Thames. These projects would generate some £170k in direct benefits to the local community and pay for the Hub's core staff.

In terms of energy efficiency, the Hub was looking to retrofit homes in a postcode area holistically in two areas; one within the City with a high proportion of private rented housing and one rural area focused on helping the rural poor. The Panel observed that the Council may be able to assist in identifying a suitable urban area for this pilot project.

In response to a question, the Panel heard that the Hub had considered looking at projects further afield but did not want to lose its community ethos which was focused on the local area.

The Panel asked about support from the City Council and heard that its loan to the Hub had been essential and was still revolving. Steve Drummond also said that the Hub was bidding for money that would enable it to proceed with fitting solar electricity systems on social housing in the City.

The Panel asked whether the Council could consider investing in the Hub as this may generate higher returns than some of the Council's existing investments. The Management Accountancy Manager advised that the Council's Treasury Management Strategy did allow for this but while the option remained on the table, the Council was not looking to make longer term investments at the current time due to uncertainties around the impacts of recent national policy changes on the Council's Housing Revenue Account.

The Panel questioned whether a similar funding model could be used by the Council to fund things like new build affordable housing with solar electricity systems and heard that this was possible, although there were challenges around the economic viability of solar power at the current time.

The Panel AGREED to make the following recommendations to the City Executive Board:

1. That the Council promotes the Low Carbon Hub's call for capital.
2. That the Council considers making an investment in the Low Carbon Hub.
3. That the Council lobbies for the removal of solar import duties in light of changes to feed-in tariffs, perhaps by the Leader of the Council writing to the appropriate government minister.
4. That Council continues to support Low Carbon Hub projects where appropriate, including potentially by assisting with a bid to fund the installation of solar electricity systems on Council housing, and identifying a suitable location for an energy efficiency project in the City.

6. BUDGET REVIEW 2016/17 - CITY EXECUTIVE BOARD RESPONSE

The Panel noted the responses and restated its support for the recommendations that were not agreed or were agreed in part. The Panel made the following observations:

- £1200 of income from commercial filming seemed very small (recommendation 9).
- That the Panel regretted the response to recommendation 16 and felt that the level of the homelessness reserve should be kept under review.
- That the response to recommendation 19 did not make sense as it was possible to lock in the prices of multi-year capital schemes when awarding contracts without having the cash available.

7. WORK PROGRAMME

The Panel noted the long-list of suggested topics for the year ahead and agreed to add the following items:

- Credit Union Services - to revisit and follow up on the discussion with Oxfordshire Credit Union.
- Capital planning – to receive an update on the capital gateway process and consider the scope for better capital planning.
- Tower block refurbishment – to consider lessons learned.
- Service Charges – to consider the scope for raising service charges on Council housing to mitigate reduced rental income.
- Gross budgeting – to consider external income and gross budgeting year-round.

8. FUTURE MEETING DATES

The Panel noted that the next Finance Panel meeting was scheduled for September 2016 and requested that an earlier meeting should take place following the Scrutiny Committee in June for the Panel to elect a Chair and consider its work plan for the year ahead.

The Scrutiny Officer said that the meetings were scheduled to fit with the budget setting and monitoring cycle but that he could support an earlier meeting in June or July.

The Chair closed the meeting by thanking Panel Members and Council Officers for their contributions and support during the year.

The meeting started at 5.30 pm and ended at 7.10 pm

This page is intentionally left blank