

To: City Executive Board

Date: 15 September 2016

Report of: Finance Panel (Panel of the Scrutiny Committee)

Title of Report: Credit Union Services

Summary and Recommendations

Purpose of report: To present recommendation of the Finance Panel on credit union services

Scrutiny Lead Member: Councillor Craig Simmons, Chair of Finance Panel

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

Recommendation of the Scrutiny Committee to the City Executive Board:

That the City Executive Board states whether it agrees or disagrees with the recommendation set out in the body of this report.

Introduction

1. The Finance Panel convened discussions on credit union services at its meetings on 7 April and 30 June 2016. The Panel considered a credit union services evaluation report, the Council's response to the evaluation report and submissions from Oxfordshire Credit Union. Representatives of both credit unions operating in Oxford were invited to the meetings. The Panel would like to thank Mark Luntley, David Soward and Sue Tanner, who attended on behalf of Oxfordshire Credit Union, as well as Councillor Susan Brown, Board Member for Customer & Corporate Services, and Paul Wilding, Revenue and Benefits Programme Manager.

Background

2. Credit Unions promote saving and provide banking services and affordable credit to those who might otherwise struggle to access such services. Credit Unions are essential delivery providers in the Council's Financial Inclusion Strategy. The two Credit Unions operating in Oxford have been funded through the Council's

commissioned advice programme, both to aid their sustainability, and to facilitate a proposed merger, whereby the smaller Blackbird Leys Credit Union (BBLCU) would have been effectively subsumed by Oxfordshire Credit Union (OCU).

3. Following the breakdown of the proposed merger, the Council commissioned an evaluation report to articulate the way forward for credit union services in the City. The evaluation report set out what actions the credit unions could take in order to become sustainable, and also made 21 recommendations to the Council. In autumn 2015 the Board Member and Executive Director discussed the outcomes of the report with representatives of both Credit Unions.

Summary and recommendations

4. The Panel noted regret that the merger had failed and heard that there was no prospect of this proposal being resurrected because the two Credit Unions had very different operating models. BBLCU wanted to continue to maintain an office in the community staffed by volunteers, while an office-based cash-based model was not considered to be practically or financially viable for OCU. OCU had found that cash cards were popular with its members and they had received only seven visitors in a six month period as opposed to 700 telephone contacts. BBLCU was now thought to be pursuing a merger with a credit union based in South Northamptonshire.
5. The Board Member for Customer and Corporate Services said that the evaluation report was a valuable piece of work that had made useful recommendations following an impasse over the failure of the proposed merger. She said that the Council had spent some £100k supporting credit unions over recent years, which was a lot of money to spend without realising the aim of having self-sustaining Credit Unions.
6. Representatives of OCU agreed that the evaluation report was an excellent piece of work. The Panel heard that since the report was published OCU had strengthened its position by implementing the recommendations and addressing a number of identified issues. OCU had gained 100 new members through working with local employers, had increased lending and was trying hard to expand. As of April 2016 OCU had £500k in savings, £250k out in loans and 800 active members. OCU had also increased their capital asset ratio from 3.4% to 5% and had budgeted to pay a dividend of 1% this year, although that would be subject to a decision at their annual general meeting. All of these key financial headlines had moved in the right direction since the report was published.
7. The Panel heard that OCU was now financially self-sustaining but had some further asks of the Council. These were to activate a payroll deduction facility and promote OCU to Council staff, and to consider contributing funding for a part-time development manager who would promote OCU much more extensively on the ground. Based on extrapolations from national figures, there were approximately 2000 people in Oxford with pay day loans and some £1.7m was taken out of the local economy each year in interest payments on these loans.

8. The Board Member for Customer and Corporate Services welcomed the progress made by OCU, including a budgetary provision to pay dividends this year. She said that promoting OCU to staff would require further thought as she would want to be sure that this would be in the best interests of Council employees given that most staff had opportunities to access more competitive interest rates on savings and the Council's own loan option (which had low take up) was likely to be more advantageous to them.
9. Representatives of OCU advised that their scheme was different as it required borrowers to save and would over time steer them out of debt. OCU wanted to attract savers as well as people facing financial difficulties but there may be some financially excluded Council employees who would not feel comfortable borrowing from their employer or would not want their employer to know they were in financial difficulty. The Panel heard that OCU had agreed with other employers not to promote the higher interest rate short-term loans they had started to offer (within very tight constraints) following a recommendation in the evaluation report.
10. The Panel suggest that the Council should accept the request to promote OCU to Council employees, provided that OCU pay a dividend to investors and the information is provided carefully alongside other options that enable Council employees who may be looking to borrow or save to make the best decisions they can in accordance in their personal circumstances.

Recommendation – that the Council promotes OCU to its employees alongside other options and within a carefully framed context, on the basis that OCU pay a dividend to investors.

11. In terms of funding for a development Manager, the Panel encouraged OCU to submit a funding application through the Council's open grants programme. While the bid would need to be considered in the round and on its merits the Panel expressed a hope that it would be successful. The Revenue and Benefits Programme Manager advised OCU to be clear when making a bid as to what tangible outcomes the funding for a development manager would deliver, such as increases in membership and income.

Name and contact details of author:-

Andrew Brown on behalf of the Finance Panel
Scrutiny Officer
Law and Governance
Tel: 01865 252230 e-mail: abrown2@oxford.gov.uk

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