



Ryedale District Council

REPORT TO: Policy and Resources

DATE: 14 February 2008

REPORTING OFFICER: Corporate Policy Manager
Clare Slater

SUBJECT: York and North Yorkshire Credit Union

WARDS AFFECTED: All

1.0 PURPOSE OF REPORT

The report outlines a proposal from North Yorkshire County Council to establish a credit union for the whole of North Yorkshire and York and to inform members of the request received from NYCC for a financial contribution towards this.

2.0 RECOMMENDATIONS

That members consider making a contribution of £10,000 over the two years 2009/10 and 2010/2011 in support of the establishment of the North Yorkshire and York Credit Union.

3.0 REASONS SUPPORTING DECISION

The only scale at which a credit union would be feasible for the Ryedale area is as part of a wider partnership.

There is now a large body of evidence linking financial exclusion to other forms of social exclusion which affect the most deprived neighbourhoods including unemployment, crime and poor levels of education and health. Lack of access to even basic financial services can undercut peoples' efforts to take jobs or secure reasonably priced credit.

From the national debt picture it is estimated that North Yorkshire residents owe unsecured loans totalling approximately £1.73bn. A credit union facility would give an alternative to the poorest households to borrowing from sources which charge high levels of interest and which distribute this interest outside the community.

4.0 BACKGROUND

In May 2006 the North Yorkshire County Council Executive endorsed the conclusions of a feasibility study on the potential development of a Credit Union in North Yorkshire, but requested further work to be done on costs and discussions to be held with potential funding agencies and partner organisations across North Yorkshire and neighbouring authorities.

Discussions were held with City of York Credit Union, which has agreed in principle to work with North Yorkshire County Council, but acknowledged that before an extension of the required common bond could take place a detailed business case needed to be prepared. The County Council commissioned the Association of British Credit Unions Limited (ABCUL) to undertake the technical business planning required.

5.0 POLICY CONTEXT

Local Area Agreement

The LAA states that its focus in tackling social exclusion is:

- in our rural communities where low incidence masks its impact on people's lives and where providing for good access to services is challenging and costly
- in our disadvantaged communities where a complex of problems undermines people's life chances and where a multi-agency response, in partnership with the community, can deliver improvement.

The approach being taken to the development of the North Yorkshire Credit Union supports this.

Imagine Ryedale...

The vision of local people is that in 2013 'Everyone in Ryedale is involved in and can influence planning for the community; the places where they live and work; increasing opportunities to meet, learn and have fun'.

A credit union should help those excluded through lack of access to financial services to have better opportunities in the future.

RDC Corporate Plan

Aim 1

To have opportunity and choice of housing and employment for all. The credit union should help some more vulnerable members of Ryedale's communities to better access both housing and employment opportunities and have greater choice.

This project compliments the previous support offered by the Council for developing financial services and money advice.

6.0 REPORT

The business case report prepared by ABCUL concludes that a credit union for North Yorkshire is a feasible proposition with the potential for delivering significant economic and social benefits to the residents and communities of North Yorkshire, provided its development phase is adequately resourced and supported. The business case report argues that using York Credit Union to extend the credit union advantage to the North Yorkshire area is not only feasible, but the most realistic and cost effective option available. It can be achieved for approximately £420,000 investment over three years. The projections demonstrate that with this level of capitalisation the credit union should be sustainable without grant aid within 4 years whilst meeting regulatory requirements

The approach being proposed for the development of the credit union is to work with a string of communities to recruit members from the parts of the county where the need for credit union services is greatest. This programme would work with two such communities at a time over a four year period and would include Scarborough and Selby as the first communities. A network of Community Service Points across the county sharing premises with other organisations will be developed. These will build on local commitment and volunteer enthusiasm with support from strategic partners such as housing associations and district councils.

It is not possible for the county –wide credit union, the moment it begins to trade, to have maximum access in every part of the county. However from day one every area would have minimum access in the form of postal and internet access, and PayPoint.

Management Arrangements

It is proposed that the York and North Yorkshire Credit Union shall have two levels of management. Firstly the York and North Yorkshire Advisory Group

The objectives of the advisory group will be to provide strategic and practical support to the growth and development of a credit union. It is proposed that each of the District Councils shall have a representative on this body

Secondly each local area shall have a Local Credit Union Support Group. The objectives of this group will be to support the local area growth and development of the York and North Yorkshire Credit Union. The target membership of the LSG shall include at least one representative from the local district council, local Registered Social Landlords, Local CVS, and Local CAB.

Outcome and Impact

The outcome of this initiative is local organisations in the area working together to address financial exclusion through the creation of a credit union delivering affordable financial services.

The impact is that it will directly benefit a minimum of 5000 members and their families within 5 years.

Additionally it will provide an exemplar of cross district working on a strategic project meeting a wide range of local and sub- regional priorities. A member-owned, credit union would assist in addressing;

- the high concentration of financially excluded people in social housing,
- marginalization of the rural poor and
- enhance local community cohesion.

8.0 OPTIONS

- a. To agree to the request made by NYCC for financial support
- b. To refuse the request made by NYCC for financial support.

9.0 RESULT OF OPTION APPRAISAL

The York and North Yorkshire Credit Union would have to look elsewhere to meet the shortfall in funding of £5,000 in years 2 and 3 of the implementation plan if the request for funding was refused.

10.0 FINANCIAL IMPLICATIONS

Extension of the common bond required by the credit union can be achieved through an investment of £420,540 over three years. The revenue is required to pay for additional infrastructure costs at York Credit Union, I.T., operation, administration costs, training and marketing and premises costs.

The proposed cash contributions are summarised below. The County Council's contribution equates to 41% of the total cost. £94k of the NYCC contribution over 3 years would come from the Scarborough Local Strategic Partnership, who has agreed to top slice this from their local allocation. NYCC would contribute the remaining £79,405 from its own resources, with no impact on local LSP allocations or the NYCC Second Homes Fund allocations. The Registered Social Landlords would be the next largest contributor at 25% of the total.

The District Council is being asked for a contribution of £5,000 in each of years 2 and 3 of the implementation of the scheme.

	<i>Year 1</i>	<i>Year 2</i>	<i>Year 3</i>	<i>Totals</i>
Funding Requirement	186188	143226	91126	420540
Proposed Contribution NYCC (includes locally allocated LSP £)	£101,661	£44,514	£27,230	£173,405
RSLs in North Yorks. (25% of total cost)	£42,527	£33,712	£28,896	£105,135
York CU	£12,000	£10,000	£0	£22,000
York CU DWP	£20,000	£10,000	£0	£30,000
Scarborough District @ 10k	£5,000	£5,000	£0	£10,000
Selby District @ 10k	£5,000	£5,000	£0	£10,000
Other 5 Districts @ 10k each per district	£0	£25,000	£25,000	£50,000
Charitable Trust	£0	£10,000	£10,000	£20,000
Totals	£186,188	£143,226	£91,126	£420,540

11.0 RISK ASSESSMENT

York Credit Union already has a detailed Risk Minimisation Policy for all operational matters which will be utilized. This includes:

- Compliance
- Data Protection access issues
- Risks at Customer Service Point's –
- Data Protection
- Accuracy
- Quality Control
- Customer Care control
- Staffing minimums
- Training- Board, Staff and Volunteers
- Money Laundering.
- Bad debt / delinquency
- Computer and IT systems security, Disaster Recovery

In addition the following risks of this wider initiative have been identified:

Credit unions are part of the FSA's Financial Services Compensation Scheme which means that they are, in every sense, as sound and secure as banks and building societies. The first £2,000 of shares is covered 100% by the scheme and the next £33,000 is covered at 90%. This may increase shortly.

Liability of funding agencies

Funding agencies are only as liable as a Contract/Service Level Agreement into which they enter e.g. for premises if they agree to sign a lease. They are not liable for Members Shares – the Credit Union is a separate legal entity covered as a deposit taker by the FSA

Policy and Resources

14 February 2008

12.0 CONCLUSION

If members support the principle of developing a credit union for the benefit of those more traditionally excluded from professional financial services, then the development of a North Yorkshire wide credit union would seem to be the most feasible way of delivering this.

Background Papers:

York & North Yorkshire Credit Union Draft Business Case - November 2007

A copy of this document is available in the members lounge

OFFICER CONTACT:

Please contact Clare Slater, Corporate Policy Manager if you require any further information on the contents of this report. The officer can be contacted at Ryedale House, Malton, YO17 7HH or on 01653 600666 ext 347 or by email at clare.slater@ryedale.gov.uk

CORPORATE POLICY APPRAISAL FORM

Annex A

Policy Context	Impact Assessment	Impact +ve -ve Neutral
Community Plan Themes	Developing opportunities Everyone in Ryedale is involved in and can influence planning for the community; the places where they live and work; increasing opportunities to meet, learn and have fun.	+ve
Corporate Objectives/Priorities	Aim 1 To have opportunity and choice of housing and employment for all.	-ve
Service Priorities	Benefits Service: Deliver modern, efficient, secure customer focused public services that reduce barriers to work, support vulnerable people and tackle all forms of social exclusion, including poor housing, homelessness, poverty and poor health.	+ve
Financial	Compliments the investment made by the Council in financial advisory services and money advice.	+ve
Procurement Policies		neutral
Asset Management Policies		neutral
LA21 & Environment Charter		neutral
Community Safety	Compliments the work undertaken by Safer Ryedale and supported by the Council to reduce domestic violence and helping people to achieve financial stability	+ve
Equalities	Extending financial advice and services to some of the most disadvantaged and hard to reach.	+ve
E-Government	Internet access to be available from the start of the credit union	+ve
Risk Assessment	There is no risk to the council beyond the contribution required.	neutral
Estimated Timescale for achievement	March 2011 to be self financing	

Policy and Resources

14 February 2008