

Report of: Assistant Chief Executive (Citizens and Communities)

Report to: Citizens and Communities Scrutiny Board

Date: 18 January 2016

Subject: Building further Support for Partnership Working with Leeds City Credit Union.

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Summary of main issues

1. This report discusses ways in which the Council can further support Leeds City Credit Union (LCCU) to significantly increase visibility, membership and meet their ambition to build their loan book.
2. Potential initiatives outlined in the report include;
 - Improving IT systems and functionality.
 - Widening membership, through payroll deductions.
 - Expanding the establishment of school saving clubs.
 - Increasing high street visibility and integrating services.

Recommendations

3. That Citizens and Communities Scrutiny Board considers the progress made and future plans for the development of Leeds City Credit Union set out in this report and the Executive Board report previously considered by Scrutiny Board.

1. Purpose of report

- 1.1 To respond to the request from Scrutiny Board on how the council can further support Leeds City Credit Union (LCCU) to significantly increase membership and lending capacity.

2. Background information

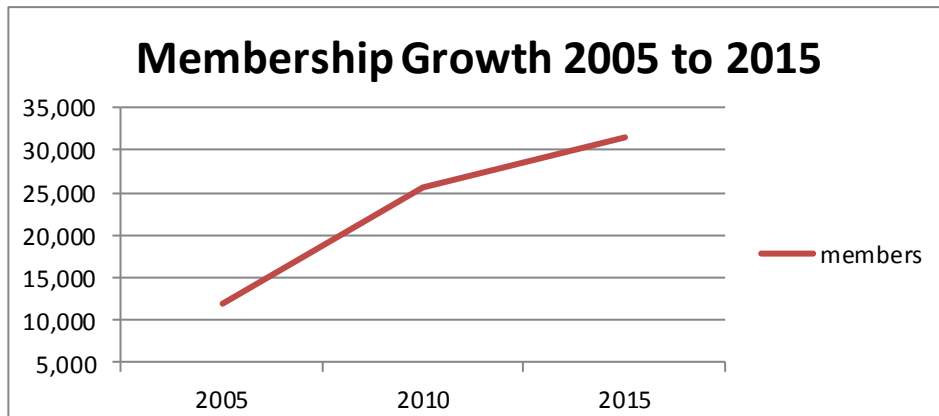
- 2.1 At the meeting of the Citizens and Communities Scrutiny Board on 24 November 2015, the Board considered a report on the long term strategic partnership with LCCU that had been agreed by the October meeting of the Executive Board. The report was well received and the excellent growth in membership was acknowledged. However the Board was keen to see what more could be done to significantly increase membership further and get to the targeted £20m loan book figure more quickly. The Board asked for a further report detailing how the above can be achieved.

3. Main issues

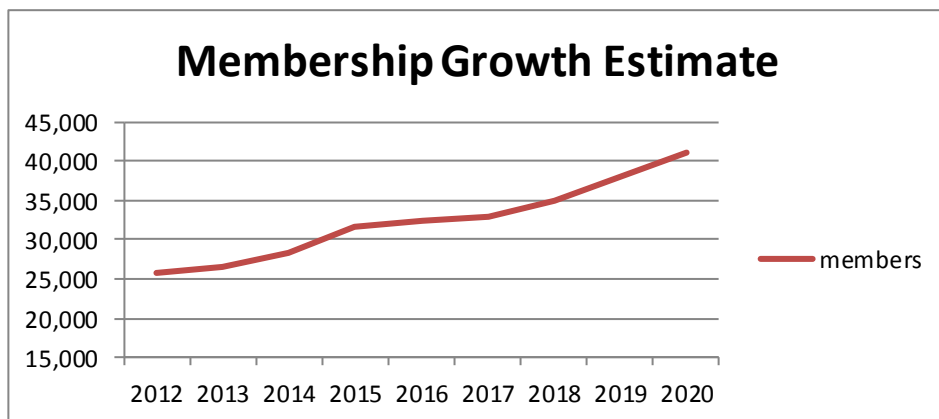
- 3.1 Whilst the credit union is much better known than it was just 10 years ago, as evidenced by the financial exclusion research conducted in 2010, it is still not a well-known financial institution in the same way as the banks or building societies or perhaps more significantly many of the high cost lenders. Whilst the council have assisted the credit union in a number of marketing campaigns, particularly in the run up to Christmas, the budget available for pursuing these campaigns is hardly significant compared to the scale of marketing by most organisations during the pre-Christmas period. The credit union has had the advantage of a large network of partners across the city that can spread the message and encourage take-up of credit union services. Spreading the word through the community in this way can be quite effective but is no replacement for higher profile citywide marketing.

3.2 Historic and Projected Growth

- 3.3 The development of the Councils Financial Inclusion Strategy took place at a similar time to the national Governments decision to invest in credit unions as part of a national initiative to tackle financial exclusion. LCCU, with the support of LCC, were awarded a significant contract by the Department for Work and Pensions (DWP) to deliver affordable loans to financially excluded families. This contract, alongside the Council's initiative to support the creation of LCCU branches in One Stop facilities, lead to a big increase in membership. In the last decade membership has almost trebled from about 11,000 in 2005 to 31,000 today.



3.4 The credit union has an ambition to build its loan book to £20m by 2020 (currently £8m, up from £7m in 2013), in order to significantly increase its ability to offer affordable lending and banking services to Leeds citizens particularly those living in the more deprived communities in Leeds. This strategy for growth is very ambitious and requires a significant increase in visibility, membership and lending capacity. In the summer of 2015, the Board of LCCU agreed an ambitious plan for growing the business. This plan included increasing the marketing and IT infrastructure budgets (see commentary in report below). The marketing budget would be increased from £60,000 in 2014/15 (plus some council funding) to £150,000 in 2015/16 and the IT budget from £100,000 to £120,000 over the same 2 year period. The forward projection for membership would see 41,000 members by 2020.



3.5 This projection is regarded as being cautious and growth may well exceed this but on the basis of the LCCU Board projection the loan book has been estimated to reach approximately £12.6m by 2020 (excluding White Rose, Wakefield members).

3.6 More recently a further projection has been developed assuming an additional £100,000 annual investment in marketing and IT infrastructure leading to membership by 2020 of 55,000 and a loan book of £16.5m (Leeds only). Currently, LCCU does not have the resources to commit this additional investment.

3.7 A number of key proposals are currently under investigation which could assist significantly in impacting growth. These are summarised below. They are focussed on engaging members from a young age, increasing high street visibility, integrating services, improving IT, and widening membership.

3.8 Improved IT systems, access and modernisation

3.9 One of the areas which is restricting the credit union's ability to expand is the effectiveness of back-office systems. The credit unions systems require a significant amount of manual handling which restricts the speed of processing accounts and loan applications. On one hand, manual intervention can be seen as helpful in that it provides a more customised service and ensures that people do not find themselves with loans which they cannot afford to repay. However, people are generally used to fast processing of their financial transactions and until the Credit Union can operate more effectively on this level, progress to serious expansion will be limited. The Government have recognised this as being a problem for credit union expansion and the Department for Work and Pensions (DWP) have invested £38m in their Credit Union Expansion Project which aims to develop better back office systems. For various reasons LCCU have judged that they cannot afford to participate in this DWP project and are therefore looking at local alternatives to improve their systems.

3.10 The IT system and banking platform that is currently in use needs to be quicker and easier to use or indeed replaced, in order to compete with the speedy on line lending that other financial providers offer. In addition to the efficient processing of applications and financial transactions, a more modern platform is also needed to enable a high quality web site for the credit union and an 'app' that can operate on modern 'smart' phone and tablet technology. The credit union already knows that 60% of its visits to its existing web site are coming from 'smart' mobile devices and it is becoming ever more critical that the back office systems that support the web are capable of supporting member and customer expectations and changing behaviours.

3.11 Payments through payroll

3.12 The credit union is proud to be seen as a financial institution for the unbanked and the most vulnerable in society. However, international examples of successful credit unions prove that a wide demographic membership base is desirable. Those who are able to save provide the deposits that the credit union then lends to those who need to borrow.

3.13 The very origins of the credit union was originally as a credit union just for Council employees and this relationship still continues with over 3,200 of the Councils staff being savings members with the credit union. The credit union wishes to significantly increase membership through payroll savings, particularly with large contractors that the Council work with regularly. This is being investigated with a view to arranging introductions to large employers in the city. One of the selling points of the credit union is its ethical values and the fact that it is a local institution. This could be useful in encouraging a wider demographic amongst new members.

3.14 In addition to growing membership of the credit union via payroll savings there are significant benefits to employers too in encouraging their staff to save. 36% of UK households have no savings (Money Charity, 2015) and when a financial emergency occurs this can lead to stress and absence from work or leading the employee to seek high cost loans and possibly sink into debt.

3.15 School Savings Clubs

3.16 The credit union currently supports savings clubs in about 20 Leeds primary schools. A scheme has been developed to support the expansion of Credit Union School Savings Clubs within primary schools across Leeds. Under the scheme, all pupils entering key stage two would be offered a £10 contribution towards opening a credit union account. This would only be available to pupils in schools that have agreed to establish a school savings club and is designed to incentivise schools and pupils to become involved in managing their own credit union account, alongside the work of schools to provide greater education to pupils about the importance of saving and financial matters. School savings clubs are also an excellent way to engage with parents to join the credit union and help them with their own financial awareness. The scheme has been agreed with the Executive Member for Communities and will be launched early in 2016 after the development of a communications plan.

3.17 Increasing Visibility

3.18 One of LCCU's difficulties has always been its visibility, prominence and promotion. Although the credit union already has established branches in the city centre, at Great George Street Hub and its own Kirkgate branch, these locations are not on the main 'high street'. The city centre is the place where millions of people pass by prime locations and having a greater visibility on the high street would enhance the credit union's exposure considerably. The credit unions current base in Westminster Buildings and their Kirkgate branch are in good locations from the point of view of the demographics of visitors to the area but the locations are not very prominent. Consideration could be given to the possibility of an alternative location in a more prominent city centre location but this is likely to be a medium to long term ambition.

3.19 City Centre Loan Shop

3.20 LCCU was successful in winning a grant some time ago from Barclays Bank to re-open their former branch on Roundhay Road, to create a Loan Shop. This was opened in August 2014. The image and name of the shop is bright and eye catching to compete with the cash shops nearby. Footfall has been, and continues to be strong and meeting expectations (600 loans issued in first 12 months). LCCU requested the shop be replicated at The Compton Centre, and this was launched in September 2015. A further facility is also being considered in Morley at the newly refurbished OSC.

3.21 Investigations are underway to identify a location in the city centre for the possibility of opening another Loan Shop. The ideal location would have a high footfall and where the demographics of shoppers using the area fits with the likely customer base of a loan shop type facility. Consideration is also being given to housing LCCU's 'Your Homeware Shop' in the same shop unit. 'Your Homeware Shop' was

launched in September 2015 to provide goods to citizens at a more affordable rate than the high street rent to buy retailers. It is hoped that if LCCU have a presence in the city centre, it will raise awareness of their services and help increase membership and lending.

3.22 Leeds City Council Directorate Promotion.

3.23 Some years ago the Council established a joint Development Working Group with LCCU and about 18 months ago the remit of this group was expanded to consider how the credit union could develop actions appropriate to the needs of each of the council Directorates. Representatives were sought from all Directorates to attend the meetings and a number of promotional initiatives have been developed. The objective has been to build a plan of activity for how the credit union can help not only the needs of staff but also clients of each of the council Directorates. For example how can credit union services assist children and families, the needs of the adults in conjunction with Adult Social Care, help with budgeting and financial support for residents of Housing Leeds and work with Environmental services on schemes to improve properties. Attendance has been inconsistent and attempts will be made to have more regular attendance from across all Directorates in order to better promote this work.

3.24 Support of 'Leeds Citizens'

3.25 Leeds Citizens is a newly formed alliance of civil society organisations working together for the common good of Leeds. A six-month Listening Campaign took place and campaigns have now commenced on Poverty, Health and Social Care and Transport. They began taking public action for change in Spring 2015 and formally launched at a Founding Assembly on 7 July 2015. Three priority campaigns have been identified in Leeds, including Poverty. Part of this campaign will seek to promote the credit unions in the city and help increase membership - discussions are currently taking place to see how the Leeds Citizen campaign can enhance the activities being pursued by the credit union and the council.

3.26 Leeds City Credit Unions longer term aspirations

3.27 Some of the aspirations of the credit union were set out in the paper to the Executive Board in October. The ambition to grow lending to £20m by 2020 has already been mentioned. However the credit union also has a longer 10 year ambition to develop into a financial institution that will provide more affordable choice in banking to the people of Leeds particularly those living in the cities more deprived communities. The steps discussed in this and the recent Executive Board report are important ways to achieve an even more significant local financial institution. The membership of credit unions in other parts of the world and in other European countries is high and there is no reason why this could not be replicated in the UK. The strength of Leeds as a financial centre can only enhance these possibilities. Therefore, there is no reason why the aspirations set out in this report and the Executive Board report, aligned with the 'Best City' goals should not be achieved.

4. Corporate Considerations

4.1 Consultation and Engagement

4.1.1 The developments set out in this report have been subject to discussions with numerous partners via the Financial Inclusion Steering Group, which includes advice partners, social landlords and numerous other third sector and private sector partners. LCCU reports regularly on progress to the quarterly joint LCC/LCCU joint Development Working Group which comprises Officers from across all relevant Directorates.

4.2 Equality and Diversity / Cohesion and Integration

4.2.1 A key focus of the partnership work between LCCU and Leeds City Council has been to support people suffering hardship, poverty and inequality, and therefore issues of equality, diversity, cohesion and integration are key aspects of this work. The projects and initiatives outlined in the report are central to the council's financial inclusion strategy, which has been subject to a detailed Equality Impact Assessment which was made public when it was attached as an appendix to the October Executive Board report.

4.3 Council policies and Best Council Plan

4.3.1 'Supporting communities and tackling poverty' is one of the Council's six Best Council Plan objectives. The activities set out in this report support the 'helping people out of financial hardship' priority in the Best Council Plan and proposition under the Citizens@leeds approach to tackling poverty. It also supports objectives in the Safer Leeds Strategy, the Children's and Young People's Plan, the Child Poverty Action Plan and the Leeds Joint Health and Wellbeing Strategy all of which have a strong focus on addressing debt, maximising income and moving people and families out of poverty.

4.4 Resources and value for money

4.4.1 There is no cost to Leeds City Council as a result of the recommendations in this report.

4.5 Legal Implications, Access to Information and Call In

4.5.1 There are no legal implications for the Council regarding the recommendations in this report. Legal implications in connection with the council's joint work with LCCU were considered by the Executive Board at its October meeting.

4.6 Risk Management

4.6.1 The risks associated with the joint work with LCCU were considered by the Executive Board at its October meeting.

5 Conclusions

5.1 LCCU has grown considerably in the last decade and is now the largest 'live and work' credit union in England almost tripling its membership since 2005 to over

30,000 members. The proposed initiatives outlined in this report will ensure that the credit union in Leeds continues to thrive and assist citizens, particularly those living in the more deprived communities in Leeds.

6. Recommendations

- 6.1 That Citizens and Communities Scrutiny Board considers the progress made and future plans for the development of Leeds City Credit Union set out in this report and the Executive Board report previously considered by Scrutiny Board.

7. Background documents¹

- 7.1 None

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.