



## Report of Financial Inclusion Manager

### Report to Chief Officer Customer Access and Welfare

Date: 12 December 2019

Subject: Allocation of funding to support a marketing campaign for Leeds Credit Union (LCU)

Are specific electoral wards affected? If yes, name(s) of ward(s):	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Has consultation been carried out?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Will the decision be open 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

### 1. Main issues

- Leeds City Credit Union (LCU) is one of the largest live and work credit unions in the country, with a membership of 36,000. Although membership has increased significantly since 2005 (11,000 members) in recent years this has stabilised with little growth shown over the last 5 years.
- LCU has lacked the means to significantly invest in marketing and communications, but has committed to a new campaign which will include a range of marketing channels and aims to increase membership numbers through targeting key audiences, and improving business to business relationships. In addition in order to further develop the business to business element, LCU are committed to appointing a member of staff to undertake business engagement.
- Investment from the Social Inclusion Fund (SIF) will offer LCU the opportunity to significantly increase their brand visibility and attract more members.

### 2. Best Council Plan Implications (click [here](#) for the latest version of the Best Council Plan)

- The work set out in this report contributes to the Best Council Plan focus of tackling poverty and reducing inequalities, and achieving the ambition for a strong economy and compassionate city.

### **3. Resource Implications**

- Funding for this project would be allocated from the SIF under the conditions agreed by Executive Board in March 2014. A maximum of £100,000 would be committed for the marketing campaign, and a further £25,000 for a business engagement worker.

### **Recommendations**

- a) The Chief Officer Customer Access and Welfare is asked to agree up to £125,000 from the SIF for the LCU marketing campaign and the appointment of a business engagement worker.

#### **1. Purpose of this report**

- 1.1 To provide detail on the plans for LCU to undertake a prominent marketing campaign and appoint a member of staff to undertake business engagement work, in order to make a significant increase in membership.
- 1.2 To seek approval to provide up to £125,000 from the SIF to support the campaign and appointment of a business engagement worker. This is with the objective that LCU will be able to increase visibility and attract new members. This will contribute to the Council's objectives and add value to the Council's joint work with LCU to tackle poverty in Leeds.

#### **1. Background information**

- 1.1 Following detailed discussions with partners and council officers, in March 2014 Executive Board agreed the overarching criteria and principles to be applied to funding projects from the SIF, and that the detailed criteria for funding will be linked to the initiatives or priorities the council is seeking to implement at that given time. All SIF projects however must relate to the overarching principle of the fund being utilised for social, financial and economic inclusion, and gambling mitigation activities.
- 1.2 Led by the Council's Financial Inclusion team the strategy to tackle financial inclusion has focussed on developing projects and initiatives to ensure that residents on the lowest incomes have access to affordable financial services and able to access free and independent advice. Leeds Credit Union has been a key partner in this work.
- 1.3 Over the years LCU has grown to become one of the largest "live and work" city based credit union in the UK, with 36,000 members. Membership is open to anyone who lives or works in the Leeds Metropolitan District and their families.
- 1.4 The Council's Executive Board at its meeting in October 2015 considered a long term strategic review of the work of the credit union in partnership with Leeds City Council. A scrutiny investigation at the same time also considered this issue and it was determined that ways should be investigated to enable the credit union to increase its membership and the size of its loan book. As a result a number of initiatives have been developed in recent years including; investments in IT, creation of school savings clubs, joint work with Housing Leeds to deliver a citywide Money and Budgeting Service, and developing the Own Comforts furniture and household products service.

- 1.5 In addition to these recent initiatives the council continues to support 5 community based branches in the more deprived parts of the city. These branches are primarily aimed at providing a cash service but also to generate loan applications.
- 1.6 Despite all of these initiatives and developments, after 10 years of significant growth, tripling membership, the credit union's membership levels in recent years have remained stubbornly around the 36,000 mark. However, during this recent period there has been the upsurge in pay day lending, online lending and high street money shops with large marketing budgets all designed to draw people to high cost loans.
- 1.7 The current membership levels of LCU represents 4% of the population and is significantly better than the England and Wales credit union penetration of around 2% and Leeds Credit Union's share of the Wakefield area it inherited in 2014 at 2.5%. Nevertheless it is short of the credit union's own ambition for a 5% share and beyond that 50k members.

## **2. Main issues**

- 2.1 One area of credit union's business which has seen a lack of investment is in its marketing and promotions budget. Several years ago the city council provided an element of financial support to increase its marketing endeavour primarily in the run-up to the Christmas period. The value of this support was below £20,000.
- 2.2 In the last 18 months the credit union has developed social media marketing especially using Facebook and this is showing very promising results worth building on. Social media activity is trackable and based on the credit union Facebook results so far for every £10k spent 3,920 new loan and membership applications are being generated.
- 2.3 Social media marketing attracts lower age profile members and low income households are active users of social media and mobile devices. As the credit union is close to introducing improved online access, including an App, strengthening the credit unions marketing including social media is now likely to produce better returns from an investment in marketing than previously. Furthermore, more applications for loans are now being made online, 60% of LCU loan applications are now from on-line and of these about 60% are from mobile devices - mobile phones and tablets.
- 2.4 Acknowledging the need to invest in marketing and promotions, and further pursue gains made by social media LCU have recently developed a more ambitious marketing plan which includes adopting a range of media channels including multiple social media options, magazine and bus advertising, with radio and television also being considered. Plans include increasing membership by improved business to business relationships and directly to customers through targeting key groups and audiences. The plan includes hiring external creative and marketing expertise on a campaign by campaign basis.
- 2.5 Commitment of a further £100,000 by Leeds City Council from the Social Inclusion Fund would offer the credit union an opportunity to further develop their campaigns and offer an opportunity they have never been afforded in the past to significantly increase membership and expand their business.
- 2.6 It is recommended that £50,000 initially be committed from the Social Inclusion Fund, with a further £50,000 being paid once measurable outputs on the effectiveness of marketing campaign in terms of increases in membership are

demonstrated. A legal agreement will be drawn up setting out the terms and conditions of the financial commitment.

- 2.7 A key aspect of increasing LCU membership will be the work undertaken to increase business to business growth. In order to support this element LCU are committed to appointing a business development worker, who will work specifically with employers to increase take up of payroll deduction schemes and promote LCU services within their organisations, and support employees. It is recommended that £25,000 from the Social Inclusion Fund is committed initially for one year for this post, with LCU also contributing to this position.

### **3. Corporate considerations**

#### **3.1 Consultation and engagement**

- 3.1.1 Options for supporting new LCU activities have been shared with the Director of Communities and Environment and the Executive Member for Communities.

#### **3.2 Equality and diversity / cohesion and integration**

- 3.2.1 An Equality and Diversity/ Cohesion and Integration screening has been completed on the proposals to form the SIF and has previously been reported to the Executive Board. This highlights that the formation of the SIF can have positive impacts on local communities, particularly for socially and economically excluded citizens in the city. Citizens who may benefit positively from the SIF include low income households, whilst research has shown that lone parents (particularly female) and citizens with mental health problems are more likely to encounter financial exclusion.
- 3.2.2 A focus of the work outlined in this report is to support people suffering hardship, poverty and inequality, and therefore issues of equality, diversity, cohesion and integration are key aspects of this work.

#### **3.3 Council policies and the Best Council Plan**

- 3.3.1 SIF contributes positively to the Best Council Plan 2018/19 with its over-arching aim to tackle poverty and reduce inequality. SIF will continue to support projects that link in with the Best Council Plan's priorities around Safe, Strong Communities which aim to build strong communities, raise aspirations and reduce financial hardship.
- 3.3.2 SIF will also continue to support projects that support the city's aims of being the best city for health and wellbeing.
- 3.3.3 A SIF funded LCU marketing activity will also contribute towards the aims of the Inclusive Growth Strategy, supporting residents to be more financially resilient, and to take up healthy credit/savings options.

##### Climate Emergency

- 3.3.4 There are no specific implications or direct impacts for the Climate Change emergency resulting from this report. This is a factual report seeking release of funding from the SIF.

#### **3.4 Resources, procurement and value for money**

The Executive Board has previously agreed that:

- 3.4.1 The SIF will be a fund in its own right within the council's budget. Finance officers have advised that under accountancy regulations no part of the payment will be classified as a capital receipt, as the council is not selling an asset. Rather, the council is receiving financial payments for granting a licence it has the powers to grant.
- 3.4.2 It is agreed that the SIF be treated as a revenue fund as an earmarked revenue reserve. Funding can then be drawn down as and when required. Budgeting in this way will also ensure that funding is ring fenced for SIF activities. Funds from the SIF will be allocated and approvals sought for investments of SIF resources, in accordance with Financial Procedure Rules.
- 3.4.3 The Fund will attract an appropriate rate of interest, as determined by the Director of Resources that is consistent with the Council's treasury management strategy. Allowing the fund to acquire interest will enable unspent moneys to grow accordingly.
- 3.4.4 The Social Inclusion Fund (SIF) is a fund in its own right within the council's budget and is used to fund initiatives that achieve social, financial and economic inclusion priorities.
- 3.4.5 SIF funds allow focussed investment on a range of anti-poverty initiatives and helps to contribute to the growing concerns about the social and economic exclusion of vulnerable citizens within the city.

### **3.5 Legal implications, access to information, and call-in**

- 3.5.1 The allocation of funding is in accordance with the approvals agreed by the Executive Board on 5 March 2014 with the Assistant Chief Executive (Citizens and Communities) being authorised to allocate funding (now the Director of Communities and Environment).
- 3.5.2 Approval by the Director will be deemed as a Significant Operational decision and is not subject to call in.
- 3.5.3 Should the grant funding element not be spent within a reasonable time scale the Council reserves the right to recall any unspent funding at its discretion and any associated administration fee.

### **3.6 Risk management**

- 3.6.1 There are no identified risks associated with the issues under consideration.

## **4. Conclusions**

- 4.1 LCU is a key partner in supporting the Council's ambition to tackle poverty and inequality.
- 4.2 To further increase the visibility of LCU and with the ambition to make increases in membership numbers, commitment to a high profile marketing strategy and campaign has been made by the organisation. This could be elevated further by an allocation of funding from the SIF.

## **5. Recommendations**

- 5.1 The Chief Officer Customer Access and Welfare is asked to agree up to £125,000 from the SIF for the LCU marketing campaign and an appointment of a business engagement worker.

## **6. Background documents<sup>1</sup>**

- 6.1 None

---

<sup>1</sup> 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.