



**REPORT OF THE CORPORATE DIRECTOR POLICY, PLANNING AND
CORPORATE PERFORMANCE**

NOTTINGHAM CREDIT UNION

Purpose of the Report

1. The purpose of this report is to seek approval to award up to £20,000 in grant aid funding to Nottingham Credit Union [NCU] for 2014/15

2. Information and Advice

3. Credit Unions have operated in Nottinghamshire since the early 1990s established first in the City, eg Fair Goose in Forest Fields / Hyson Green and Red Lion in Bulwell. In the wider county, credit unions have developed more slowly with the first credit union, Worksop and District, established in 2000.
4. In recent years the city based credit unions merged to form NCU, a larger single credit union being more sustainable. In 2010 NCU extended its common bond (the area in which it is allowed to operate) to cover the county of Nottinghamshire and has since merged with:
 - Cashfields (covering Ashfield)
 - Oakleaf (the County Council's credit union)
 - Sherwood Forest (formerly Maun Valley covering the Mansfield area)
5. These mergers were encouraged and supported (financially) by Nottinghamshire County Council. £40,000 was awarded to NCU in 2010 through the economic development budget to enable the merger to take place. The 2 Shires Credit Union (incorporating Worksop and District) continues to serve the Bassetlaw area.

Membership and Coverage

6. NCU have been operating in Mansfield for 4 years with the support of the District and County Councils. The operation is not currently viable in its own right and it needs to grow from their current 400 members to about 1,600 for it to be viable. A grant of up to £20,000 will help NCU to develop and maintain the operation and to invest more in it so that it can grow to sustainability over the time. NCU have applied for funding from the Lloyds Credit Union Development Fund, which would, in conjunction with the County Council funding, enable the group to move their own premises.

7. Membership of NCU in the county is growing and NCU are currently looking for their own premises as the move to the current shared location has resulted in a fall in members. Recent research from Experian shows that districts such as Mansfield and Ashfield have a high proportion of potential clients in economic groups that fit their target members and the grant will help them develop services for this client group.
8. NCU services operate across the county, the grant aid requested will specifically target Mansfield and Ashfield and aims to increase the number of vulnerable people who lack financial awareness / capability who are able to self-help. This will be through reducing outgoings by consolidating expensive credit and increasing savings and so preventing the need for debt advice and build resilience. NCU services help people help themselves and this has an impact on many local services from healthcare to advice provision. A mixture of financial education and access to low cost finances help will help local people improve our community.

The current NCU membership is:

District	Membership as at 30 11 12	% of total	Membership as at 30th Nov 2014	% of total
Ashfield	155	3%	187	3%
Bassetlaw	11	0%	21	0%
Broxtowe	335	6%	330	5%
Gedling	339	6%	493	8%
Mansfield	401	7%	345	5%
Newark and Sherwood	85	1%	173	3%
Rushcliffe	181	3%	294	5%
County	1507	25%	1843	29%
City of Nottingham	4288	72%	4,288	67%
Others*	192	3%	169	3%
Total	5987	100%	6388	99%
* Membership of NCU is restricted to those who live or work in the City of Nottingham or Nottinghamshire, or people who are tenants of certain Housing Associations, plus their family members living at the same address.				

Nottingham Credit Union Services

9. NCU offers a number of savings accounts and affordable loans, the benefits may be summarised as follows:
10. Saving regularly with a credit union is particularly beneficial for people on low incomes by offering them access to affordable loans. NCU offers low cost, unsecured personal loans. Larger loans are available to members who have previously borrowed and

have a good repayment record. Loans include life insurance, there are no set up fees, no repayment penalties or hidden charges. Some members, particularly young parents, develop a sound financial understanding and no longer require loans.

11. Using Nottingham Credit Union for a loan makes sound financial sense. The table below shows the closest comparisons for a loan of £400.

Lender	Loan Amount	Period of Loan	Interest charged
Provident (door step)	£400	32 weeks	£240
Wonga	£400	30 days	£96
Nottingham Credit Union	£400	32 weeks	£48

12. NCU is committed to continuing its services, but without additional revenue funding it will have to reduce services and operating overheads. This will put the credit union back a number of years in terms of growth and sustainability. NCU need to plan now to keep the service going until they become self-sustaining hence the funding request to the County Council.

13. Grant Aid will help NCU to involve and work with local communities to:

- Increase money to spend in local community – by reducing the interest paid on a loan, NCU will help to increase the money left over in the pockets of our poorest communities. This money is likely to be spent locally.
- Increasing money to be lent out locally – more savings mean more money available for local lending.
- Reduce demand on advice services – by reducing the number of people able to borrow irresponsibly (borrow too much compared to incomings) this will reduce the number of people seeking debt advice. By encouraging savings people will be better able to cope with crisis.
- Reducing stress levels and demand on health services. Money worries are a major cause of stress. Research by Dr Gathergood from Nottingham University in 2012 show people struggling to pay loans off are three times more likely to have mental health problems.

Financial position

14. Increasing the number and amount of loans is vital to the credit union becoming financially sustainable. NCU have made good progress with this showing an increase in earned income and the challenge for NCU is to continue growing their loan income to replace that lost from grants.

15. One measure taken in 2013/14 was to increase the maximum interest rate NCU charge from 26.8% APR to 42.6% APR. They have done this on smaller loans in order to cover costs; this has meant a minimal difference to loans but collectively means they are closer to self-sufficiency than ever.

Other Options Considered

16. If NCC did not approve grant aid funding, Nottingham Credit Union would continue to operate without financial support from the County Council. However the impact of reduced budgets would be significant in that it would:
- increase the likelihood of bad debts. Experience has shown that if no local collection point is available this leads to an increase in members defaulting;
 - reduce access for residents to affordable loans. As demonstrated above responsible borrowing through a credit union could save families hundreds of pounds;
 - restrict the opportunity to develop further services. NCU are exploring “jam jar” accounts where money is deposited in a Credit Union account and key bills are paid first. Residents in receipt of universal credit will be able to use these accounts and avoid defaulting on rent and council tax etc;
 - undermine the steps taken in the last two years to grow by merging Nottinghamshire credit unions and increasing earned income.

Financial Implications

17. The proposed grant of £20,000 can be met from the grant aid budget.

Reason(s) for Recommendation(s)

18. To support the development and sustainability of NCU and ensure that Nottinghamshire residents continue to benefit from its services.

Statutory and Policy Implications

19. This report has been compiled after consideration of implications in respect of finance, equal opportunities, human resources, crime and disorder, human rights, the safeguarding of children, sustainability and the environment and those using the service and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION(S)

20. That Members approve a contribution of £20,000 from the Grant Aid budget. This will be subject to a negotiated grant aid agreement which will include an increase in the County.

Jayne Francis-Ward

CORPORATE DIRECTOR POLICY, PLANNING AND CORPORATE SERVICES

For any enquiries about this report please contact:

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Constitutional Comments (LM 6/1/15)

The recommendations within the report fall within the terms of reference of the Grant Aid Sub Committee'

Financial Comments (SEM 15/1/15)

The financial implications are set out in the report.

Background Papers

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

Electoral Division(s) and Member(s) Affected

ALL