



**REPORT OF THE TEMPORARY GROUP MANAGER SAFER AND ENGAGED
COMMUNITIES**

NOTTINGHAM CREDIT UNION

Purpose of the Report

1. The purpose of this report is to seek approval to commit up to £22,000 in grant aid funding to Nottingham Credit Union [NCU] for 2013/14

Information and Advice

2. 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.
3. 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)
4. These mergers have been encouraged and facilitated (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

5. Membership of NCU in the county is growing and planned activity in Newark and Sherwood and Mansfield will increase membership even further. The membership breakdown, below, reflects the presence of credit unions in the City since the early 1990s.
6. In October 2012, an additional 75 members were signed up in Mansfield, the highest number of new registrations in the District recorded to date. This is largely down to the presence of a 'pop-up' credit union counter in the Mansfield CAB offices in the town centre. NCU expect to double membership here within two years and quadruple in four

becoming a self-sustaining branch of the credit union. In Newark and Sherwood £45,000 funding has just been approved by the District Council to roll out credit union services to the district.

7. The current NCU membership is:

District	Membership as at 1 st Jan 2010	% of total	Membership as at 30 th Nov 2012	% of total	Increase (%)
Ashfield	61	2%	155	3%	154%
Bassetlaw	2	0%	11	0%	450%
Broxtowe	172	4%	335	6%	95%
Gedling	133	3%	339	6%	155%
Mansfield	9	0%	401	7%	4356%
Newark and Sherwood	13	0%	85	1%	554%
Rushcliffe	97	2%	181	3%	87%
County	487	12%	1,507	25%	209%
City of Nottingham	3,335	86%	4,288	72%	29%
Others*	77	2%	192	3%	149%
Total	3,899	100%	5,987	100%	54%

* 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. 'Others' currently consists of work in areas (77); HA tenants (^); no longer qualifying (76) and members for whom no contact details are available (33).

Nottingham Credit Union Services

8. NCU offers a number of savings accounts and affordable loans, the benefits may be summarised as follows:

- 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.
- Using Nottingham Credit Union for a loan makes sound financial sense. For example to borrow £500 over 6 months monthly repayments would be £89.97 and the total interest paid £39.80 (reducing to £35.41 if repaid weekly).
- By comparison, in terms of short term loans Wonga is one of the market leaders. The closest comparison with the above loan they could offer is £400 over 30 days costing £125.48 in interest and fees.

The Request from NCU

9. NCU has requested funding support, preferably in the form of a grant, from both Nottinghamshire County Council and Nottingham City Council. This is because the organisation estimates that to maintain its current position and achieve projected growth they have a shortfall of £200,000. The initial request put to both Councils was for £100,000 to be granted to the organisation.
10. Nottingham City Council has agreed in principle to grant £65,000 to NCU, subject to Nottinghamshire County Council also contributing a grant to NCU. If £65,000 were to be granted by each Council, this would equate to £15.15 per member for City area residents and £43.13 per member for County area residents.
11. NCU's strategy is to become self sustaining; earned income is growing and accounted for 42% of income in 2011 and is projected at 56% for 2012. However securing sustainability, projected for 2016 in accordance with its adopted plan, assumed continued revenue funding from DWP of £104,000 per year which has now been unexpectedly withdrawn.
12. NCU is committed to continuing its services, but without additional revenue funding over the next two years 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 viable hence the funding request to the County and City Councils.

Financial position

13. 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 of over £125,000 in 2011 compared to 2010. Grant income remained at the same level and the challenge for NCU is to continue growing their loan income to replace that lost from grants.
14. NCU are endeavouring to reduce costs where possible. Initiatives to reduce costs further are being put in hand and at a Special Board meeting in August 2012 cuts of 15% in staffing costs were agreed. NCU employs 18 staff, many part time, corresponding about to 14 FTE and has a large number of volunteers.

Other Options Considered

15. 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 CU 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

These could be regarded as a necessary consequence of a drop in grant funding.

16. NCC approve grant funding NCU jointly with Nottingham City Council. A maximum of £65,000 from each Council should ensure that NCU remains on the path to sustainability and will be able to grow its services in Nottinghamshire.
17. However, given that County membership is 25% of the total membership a reduced amount in proportion with membership levels should be considered. Calculated as follows:
 - City residents constitute 75% of membership, and Nottingham City Council are contributing £65,000 – this represents £866.66 for each 1% of membership.
 - County residents constitute 25% of membership, so the County Council contribution should be - £866.66 x 25 = £21.666.
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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 up to £22,000 from the Grant Aid Budget.

Chris Walker

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For any enquiries about this report please contact:

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Constitutional Comments (NAB 03.04.13)

Grant Aid Sub-Committee has authority to approve the recommendation set out in this report.

Financial Comments (RWK 28/03/2013)

The proposed grant of up to £22,000 can be funded from the 2013/14 budget allocation for grant aid.

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