



To: Executive Councillor for Finance and Resources:
Councillor George Owers
Report by: Head of Communities, Arts & Recreation
Relevant scrutiny committee: Strategy & Resources Scrutiny Committee 12/10/2015
Wards affected: ALL

SUPPORT FOR INCLUSIVE BANKING AND LOAN SERVICES

Not a Key Decision

1. Executive summary

The Council's Anti-Poverty Strategy highlights the role played by credit unions in helping people on low incomes manage their finances and supporting them if they find themselves in financial crisis. The Council has committed to *'further support and promote the services offered by Credit Unions in Cambridge'*. The report outlines the proposed approach to achieve this.

2. Recommendations

The Executive Councillor is recommended to agree the two-stage approach outlined in sections 3.9a and 3.9b of the report.

b) Request the Committee notes that in accordance with the process for allocating funding from the Sharing Prosperity Fund¹, the Executive Councillor has approved the allocation of a total of £50,000 from the Sharing Prosperity Fund to meet the costs outlined in the table at 4a). For the capital elements of the project (also funded through the SPF) a full business case will be developed and presented to the Capital Programme Board for approval for delivery. If the business case is approved by CPB, the project will be included on the Capital Plan.

3. Background

3.1 The Council's Anti-Poverty Strategy² (APS) highlights the need for inclusive banking and loan services such as those offered by credit unions. *'Due to a combination of high living costs and low incomes, some residents in Cambridge have very limited disposable income or savings. They are more likely to find themselves in crisis situations, because they do not have the financial reserves needed to weather unforeseen events. They are also*

¹ Agreed in the Budget Setting report at Council on 26 February 2015

² <https://www.cambridge.gov.uk/sites/default/files/documents/anti-poverty-strategy-2014-2017.pdf>

less likely to have access to affordable financial services, and are therefore more vulnerable to loan sharks and other sources of high interest credit.

Credit unions can support residents when they find themselves in financial crisis, but can also help residents on low incomes to manage their finances in the longer term. Credit unions currently provide a range of services which benefit low income residents in the city:

- *Loans for small amounts which banks often do not provide. These can help cover issues like broken washing machines or repairs to motor vehicles which are required to travel to work, or necessities such as school uniforms. This provides an alternative to taking loans from loan-sharks or payday lenders at very high interest rates.*
- *Savings accounts, which enable residents to save sufficient funds to meet emergencies or pay for more costly items in the future.*
- *'Jamjar' accounts which help residents to set aside sums to meet regular outgoings such as utility bills.*
- *Debit cards and transactional accounts for customers who may be less likely to receive them from banks.*

The Council has previously provided credit unions with operating space in the Customer Service Centre, promotion in Cambridge Matters and Open Door magazines, and emergency loan grants. The Council will further support and promote the services offered by credit unions in Cambridge as part of this Strategy'. A 'Sharing Prosperity Fund' (SPF) has been established by the Council to resource projects that will deliver the strategy.

3.2 Currently two credit unions operate in Cambridge, Eastern Savings and Loans (ESL) and Rainbow Savers (RS). ESL recently merged with Cambridge Credit Union and is planning to merge with RS in 2016. Between them they have approximately 300 members in the City.

ESL currently operates from:

- City Homes North - Tuesdays from 9.30am – 10.30am
- Customer Service Centre (CSC) – Wednesdays 11am-1pm
- Gwydir Street – Thursdays 11.30am – 12.30pm

RS currently operates from:

- Impington – Fridays 11am – 1pm
- CSC – Mondays and Thursdays 11am – 1pm
- Cherry Hinton – Temporarily closed due to refurbishment

These sites are referred to as Access Points and are staffed by volunteers. Loan applications are referred to a specialist Loan Officer based at the Credit Union (CU) headquarters. Members have access to debit cards, paying in points, savings, advice, online banking and loans.

3.3 There are a number of issues for the credit unions at present, particularly around capacity, ICT and visibility.

3.4 There was an early suggestion to expand credit union activity at the CSC via the creation of a shop in the part of the site currently used for online access. This could aim to mirror the type of arrangement that is operated successfully by RS in Peterborough. The Peterborough shop operates in partnership with Peterborough Citizens' Advice Bureau, Foodbank and various housing providers; however is not comparable to Mandela House in respect of location and members. As well as a central unit, there are also two outreach locations.

3.5 If the CSC was the only location for credit union in Cambridge it may not be very accessible for residents who do not routinely come into the city centre. Also use of the CSC could be time-limited due to uncertainty relating to the Council's accommodation strategy. Therefore, while there would be value in expanding financial inclusion activity at CSC, this should be considered alongside expansion of neighbour access points. A central-plus-neighbourhood approach will improve community access and allow people who live nearby to engage with CUs closer to their home, as well as allow CUs to engage with a variety of different people. In consultation with the local CUs, officers have explored sites that would increase visibility and presence of CUs across the in the City. These include sites in Abbey, Arbury, Cherry Hinton, Chesterton, Romsey and Trumpington.

3.6 There is a need to increase access and visibility of CUs in the immediate short-term, mainly in response to the Government's Welfare Reform agenda, and the introduction of Universal Credit (UC). UC is being introduced in stages and will start for single job seekers in Cambridge from 29 February 2016. In the future, instead of applying for Jobseeker's Allowance and Housing Benefit (or one of the other benefits listed below), one single claim for UC will be made and this will include any payment towards housing costs. Gradually this will extend to claims from working age couples and those with families. Eventually UC will replace six current benefits: Income-based Jobseeker's Allowance, Income-related Employment and Support Allowance, Income Support, Working Tax Credit, Child Tax Credit and Housing Benefit.

Unlike current payment arrangements for housing benefit, UC will be paid calendar monthly in arrears. One significant change is that it will be the claimant's responsibility to pay their landlord. It could take several weeks after a claim is made for a payment to be received, meaning there is the possibility that an individual may have little or no income for a significant period of time from when their claim for UC is made. Increased access to CU products and services now could help ensure claimants are in a better financial position when UC impacts their household. Creating a savings relationship now can ensure access to affordable loans in the longer-term.

This could result in less reliance on high interest/payday lenders or loan sharks, preventing rent arrears and ultimately loss of home.

3.7 The Council wishes to explore a longer term arrangement or partnership in respect of financial inclusion activity. One of the factors in determining options available to the Council in the longer and term is the issue of state aid³. State aid is any advantage granted by public authorities through state resources on a selective basis to any organisations that could potentially distort competition and trade in the European Union (EU). The definition of state aid is very broad because 'an advantage' can take many forms.

It is an issue for this project as it means the Council cannot simply offer an organisation financial support both in cash and in kind if the organisation receives more than 200,000 euros of public funding support over three years. Although this is still being quantified, there is a risk that alongside any existing public funding, the use of facilities and support for core funding or development initiatives, the threshold could be breached. Legal Services advise that care is taken to examine exactly what support is necessary and how services required are commissioned. It is recommended that more specific legal advice is taken. It is quite possible the Council may be required to start a procurement (i.e. a tendering process) to seek a longer term partner to deliver inclusive banking and loans services. This may take six to nine months and so is not a short term solution.

3.8 Therefore, a two-phased approach is proposed which addresses short term need and the Council's longer term requirements

3.9 a) Phase 1:

- Immediate and significant expansion of access points across the city. Establish five new sites at East Barnwell, Brown's Field, The Meadows, City Homes South, Trumpington, Ross Street and possibly others. The approach will include:
 - A campaign with the CUs to recruit and train new volunteers
 - Intensive promotion by the Council about credit union services and other financial inclusion activity. This will be both universal and targeted and include public transport, community centres, social housing providers, GP surgeries and community groups, using social media as well as traditional forms. It will aim to raise awareness of the value of CUs to people on low incomes who may need loans as well as to the wider community.
 - Closer working between ESL and RS, including use by RS of ESL products where appropriate

³ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/443686/BIS-15-417-state-aid-the-basics-guide.pdf
Report Page No: 4

- Targeting a total of 10 access points and 125 new CU account sign ups between October and March 2016 – a 100% increase in access points and sign ups.
- The development of a low capital cost financial inclusion hub (IH) in CSC which could involve a range of services. This would aim to provide improved access to affordable, relevant financial and advisory services. The area will be flexible, functional and could be used as a base by CUs in the longer term. Officers anticipate the hub could include a range of functions, including:
 - Use of computer points to ensure service users have digital access. This is important as UC must be applied for online.
 - Awareness of energy saving initiatives as well as prevention of fuel poverty - which can be promoted via Home Energy officers.
 - Offering a separate space for people to discuss their financial circumstances in private.
 - Space for support services and local food agencies who can offer vouchers and advice about budgets and food.
 - The area can also be utilised for small workshops for both service users and staff, encompassing debt advice, budgeting, money saving tips and awareness of local support services.

This approach ensures that an IH is welcoming for everyone, convenient, responsive to needs, and flexible in design and approach. Activities utilising this space would be publicised through social media (@caminclusionhub) and advertising through Open Door, Cambridge Matters and a weekly timetable advertised in the Welcome area of CSC. The opening of the new IH area would also be publicised in the local press.

The CSC would be adapted to utilise existing space in a pragmatic way to offer flexible but bespoke use for the IH. The Heads of Estates and Facilities and Customer Services have been asked to develop proposals for minor adaptations offering a welcoming, modern area, with appropriate furnishing, clear signage and reception counter, private space, IT access and a back office. This could be adapted for use by a contracted partner if this approach is developed through phase 2.

3.9 b) Phase 2

Subject to advice, this could involve further development of financial inclusion services and the CSC hub/base into a possible 'shop front' via partnership with a selected organisation. The Council is taking legal advice about State Aid in order to inform the approach and it may be necessary to undertake a procurement exercise to source an appropriate partner.

3.10 Other updates

- Junior Savers: This scheme which provides financial literacy advice and savings accounts for young people is in the early stages of development with two City schools. The accounts will be kick-started with a small sum which must be matched funded and ring fenced for one year. It will be seen partly as an opportunity to save for trips and school activities.

4. Implications

(a) Financial Implications

Activity (Note: these are indicative amounts and funds may be vired across activity)	Cost £	Funding source
Recruitment & development of volunteers	2,000	SPF
Publicity	15,000	SPF
Membership fees for volunteers and new members	2,000	SPF
Development support to CUs	7,000	SPF
Adaptions to the CSC	20,000	SPF
Legal advice	4,000	SPF
Total	50,000	SPF

The Executive Councillor for Resources has delegated authority to award funding bids of between £15,000-75,000 from the Sharing Prosperity Fund. The authority can be used following advice from the APS Project Board. The Board met on 18th September 2015 and recommended the project and the funding bid has now been agreed by the Executive Councillor.

The Executive Councillor has a similar delegated authority for capital bids to the SPF. The Executive Councillor has approved capital funding for the project and a business case will now be made to the Capital Programme Board so that subject to approval it can go on the Capital Plan to be delivered.

(b) Staffing Implications (if not covered in Consultations Section)

There are no implications identified at this stage.

(c) Equality and Poverty Implications

An Equalities Impact Assessment (EQIA) has been carried out on phase 1 of the plan and the findings are as follows:

A positive impact is expected for the following categories/groups: Age; Disability; Gender; Pregnancy and Maternity; Race and Ethnicity; Religion and Belief; Sexual Orientation. The action plan includes the following points

- Promotional materials need to be available in relevant formats
- Hearing loops need to be provided

- Staff and volunteers must receive suitable training and treat all customers with dignity and respect

A copy of the EQIA is attached as an appendix (to follow).

(d) Environmental Implications

There are no implications identified at this stage

(e) Procurement

The issue of state aid and procurement has been covered in the report in section 3.

(f) Consultation and communication

Consultation was undertaken as part of the Council's Anti-Poverty Strategy. There has been ongoing dialogue with Rainbow Savers and Eastern Credit Unions, also other community and voluntary organisations. A project team made up of officers from across the Council has informed different strands of this work. A detailed plan for communication will be drawn up with the advice of the corporate marketing team and informed by the EQIA.

(g) Community Safety

There are no implications identified at this stage

5. Background papers

These background papers were used in the preparation of this report:

- Anti-Poverty Strategy 2014-17

6. Appendices

- EQIA (to follow)

7. Inspection of papers

To inspect the background papers or if you have a query on the report please contact:

Authors' Names: Debbie Kaye, Bridget Keady, Charlotte Cook

Author's Phone Number: 01223 – 458633

Author's Email: debbie.kaye@cambridge.gov.uk