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**Cabinet**

**6 November 2012**

**Report of the Cabinet Member for Corporate Services**

**Future Credit Union Arrangements in York - Supporting the North Yorkshire & York Credit Union**

**Summary**

1. The purpose of this report is to establish a level of support from City of York Council to secure an on-going Credit Union presence in York and North Yorkshire.

**Background**

2. In May 2009 the York Credit Union expanded to cover the whole of North Yorkshire including York and was renamed North Yorkshire Credit Union. The City of York Council and North Yorkshire County Council (The County Council) made loans to the North Yorkshire Credit Union of £100k and £200k respectively. The £100k loan from City of York Council was approved in December 2008. The County Council and District Councils also played a significant part in encouraging and financially supporting the expansion of the North Yorkshire Credit Union.
3. The North Yorkshire Credit Union has, over the last 2 years, encountered severe financial difficulties. This has principally been as a result of –
  - A high level of bad debts on loans made to customers
  - Relatively high overheads
  - Over dependence on a number of non-recurring grants.
4. Given the financial difficulties, the Board of the North Yorkshire Credit Union is in the process of petitioning to wind up the organisation. It has therefore appointed Solicitors to oversee this process and is working with the Financial Services Authority (FSA) in order to manage the process. It should be noted that all individual savings within the North Yorkshire Credit Union are

protected by the Financial Services Compensation Scheme (FSCS).

**Work to secure an on-going Credit Union presence in York and North Yorkshire**

5. The North Yorkshire Credit Union has 5762 Members – see **Appendix 1** for a breakdown. York and North Yorkshire Councils and the North Yorkshire Credit Union have been concerned that the absence of a Credit Union presence in York and the county would be to the detriment of its existing Membership.
6. Moreover, the introduction of the Universal Credit and other Welfare Reforms means that many low income households are likely to find themselves with even greater financial challenges. Credit Unions tend to work with such clients and can tailor products to suit their individual circumstance.
7. Members and officers from the County Council and the City of York Council have worked to try and establish the appetite for other Credit Unions to move into North Yorkshire. A number of interested parties came forward and exploratory discussions took place between the interested Credit Unions and the councils.
8. There was variable financial support offered from the District Councils of North Yorkshire but given the high number of Credit Union Members in Scarborough, Scarborough Borough Council were keen to try and assist an on-going Credit Union presence. The County Council, City of York Council and Scarborough Borough Council therefore met with representatives from 2 interested parties –
  - South Yorkshire Credit Union
  - A combined offer from the Leeds Credit Union and Hull and East Yorkshire Credit Union.
9. Following submission of outline business plans and a brief meeting, South Yorkshire Credit Union were notified of their preferred status. Councils are not able to sanction Credit Union activity but clearly are well placed to influence and shape given access to many potential customers and the wide resources available to councils (for example premises in key areas).

10. The South Yorkshire Credit Union has identified that it will need up to £100k in one-off funding to successfully launch a North Yorkshire Credit Union. This grant request is in order to fund up-front costs, particularly in Scarborough and York as they seek to consolidate North Yorkshire business in those 2 key locations. It has been made clear throughout that there will be no further recurring funding although all councils have been open to “in kind” contributions.
11. It is proposed that the grant to South Yorkshire Credit Union (if agreed) would be split as follows –
  - City of York Council £50K
  - North Yorkshire County Council £30K
  - Scarborough Borough Council £20K
12. This cash equivalent may reduce in the event of South Yorkshire Credit Union wishing to access premises or use other council assets and thereby reducing their set up costs. City of York Council are liaising with South Yorkshire Credit Union to assist them in finding a suitable premises from which South Yorkshire can operate, either from the Council’s commercial portfolio or the private sector. Also, the possibility that South Yorkshire Credit Union could work out of York Explore, Library Square and ultimately the new West Office building is being considered.

### **Consultation**

13. City of York Council along with the County Council has had dialogue with North Yorkshire Credit Union to ensure that there would be a continued Credit Union presence in the York and North Yorkshire area. City of York Council, the County Council and Scarborough Borough Council have also met with representatives from South Yorkshire Credit Union, Leeds Credit Union and Hull and East Yorkshire Credit Union.

### **Options**

14. There are 2 options for members, either to
  - a) approve the one-off cost of £50k to South Yorkshire Credit Union and a Credit Union presence remains in York,
  - b) not approve the £50k one-off cost and South Yorkshire Credit Union do not operate a Credit Union in York.

## Analysis

15. It is beneficial to the City of York to have an operational Credit Union to benefit all in society. The absence of a Credit Union presence in York and the County would be to the detriment of its existing Membership and also does not give the people York and North Yorkshire the opportunity to invest in their local area.
16. Moreover, the introduction of the Universal Credit and other Welfare Reforms means that many low income households are likely to find themselves with even greater financial challenges. Credit Unions tend to work with such clients and can tailor products to suit their individual circumstance.

## Council Plan

17. By continuing with a Credit Union in York this meets the Council's priorities to 'build strong communities' and 'create jobs and grow the economy'

## Implications

18. **Financial** - The one-off contribution identified in paragraph 11, of £50k, would be funded from the Economic Infrastructure Fund. It should be noted that the £50k is also included in a separate report on Financial Inclusion on this agenda and is included within the sum of £300k being requested in that report. No further funding requests are anticipated and no further provision is therefore required.
19. It should be noted that in December 2008 City of York Council agreed to provide a loan of £100k to the Credit Union and the County Council also provided a loan of £200k in 2009. Given the nature of the loan (i.e. it was subordinated as described by the FSA) there is no prospect of the loan being returned once the North Yorkshire Credit Union has been wound down. It will be necessary for City of York Council to write off the loan of £100k within the accounts in 2012/13, which has been provided for as part of the bad debt policy.
20. **Human Resources (HR)** - There are no HR implications as a result of this report.

21. **Equalities** - There are no equalities implications as a result of this report.
22. **Legal** - Should the Cabinet wish to support this proposal then the grant payment to South Yorkshire Credit Union would be made under S1 of the Localism Act 2011, Local Authorities have a general power of competence which allows them to do anything an individual could, including the power to provide a grant.
23. **Crime and Disorder** - There are no crime and disorder implications as a result of this report.
24. **Information Technology (IT)** - There are no IT implications as a result of this report.
25. **Property** – Property Services are identifying a suitable premise from which South Yorkshire credit Union can operate, either from the Council’s commercial portfolio or the private sector. The use of York Explore, Library Square and ultimately the West Office building is also being considered.

### **Risk Management**

26. There is a risk that the South Yorkshire Credit Union is unable to make the North Yorkshire Credit Union business successful and therefore either seeks to secure additional support from councils or winds up the business. The latter is regarded as unlikely as there would then be impact upon the South Yorkshire business as well as that in North Yorkshire. The South Yorkshire Credit Union have also been advised that councils would not look favourably upon any further requests and the South Yorkshire Credit Union have indeed expressed a wish to avoid any dependency on council funding.
27. Given the history of the Credit Union in North Yorkshire and York proposal would cap any City of York Council exposure to the £50k contribution.
28. The South Yorkshire Credit Union have indicated a wish to work in close partnership with all councils in York and North Yorkshire and have advised that they are amenable to the councils sending observers to Credit Union Board Meetings. There is therefore an opportunity to monitor and work alongside the new Credit Union.

## Recommendations

29. Cabinet are requested
- a) to approve a grant contribution of up to £50k to be allocated from the Economic Infrastructure Fund (EIF) towards the development of the South Yorkshire Credit Union
  - b) to note that the £50k allocated from the EIF is included in the £300k being recommended within the financial inclusion policy report, also included on this agenda.

Reason:

In order to promote a Credit Union offering in North Yorkshire and York in line with the Council's Plan to 'build stronger communities' and 'grow the economy'

## Contact Details

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**Report**  **Date** 06/11/12  
**Approved**

**Wards Affected:** *List wards or tick box to indicate all* **All**

**For further information please contact the author of the report**  
**Background Papers:**

**Appendix 1** - North Yorkshire Credit Union current Key Figures, June 2012