

Report To:	EXECUTIVE CABINET
Date:	28 November 2018
Executive Member / Reporting Officer:	Councillor Bill Fairfoull – Deputy Executive Leader Tim Rainey – Assistant Director, Digital Services
Subject:	CASH BOX CREDIT UNION
Report Summary:	<p>This report provides background to, and current financial performance of the cash Box Credit Union.</p> <p>In 2016 Tameside Council became a Corporate Member of the Cash Box Credit Union by the investment of £25k in the form of deferred shares. As part of this investment it was agreed that a report detailing the performance and financial position of the Cash Box Credit Union would be presented annually to the Executive Cabinet to help assess the risk relating to the investment.</p>
Recommendations:	The report and improved performance of the Cash Credit Union is noted.
Links to Sustainable Community Strategy:	The initiative supports the delivery of the Sustainable Community Strategy Prosperous Tameside aim.
Policy Implications:	In line with council's policy framework
Financial Implications: (Authorised by the Section 151 Officer)	There are no direct financial implications as a result of this report.
Legal Implications: (Authorised by the Borough Solicitor)	<p>Credit unions aim to create financial resilience by helping individuals to take control of your money by encouraging them to save what they can, and borrow only what an individual can afford to repay. In essence, they're savings and loan co-operatives, where the members pool their savings to lend to one another and help to run the credit union. This is done in a 'not-for-profit' way, so the cash is only used to run the services and reward the members, and NOT to pay outside shareholders, like most other financial institutions. Credit unions safeguard money of its savers throughout the year, because those running credit unions must put aside enough money to ensure they don't go bust. Any money that's left over is channelled back to those who've got a savings account (to pay them interest) or it's used to try to improve the overall service. To keep all the money safe, credit unions can't lend out all their members' savings or plough the remainder into anything that carries too much risk. All money in savings with credit unions has the same FSCS Government protection as bank savings accounts. In 2016 Tameside Council became a Corporate Member of the Cash Box Credit Union by the investment of £25k in the form of deferred shares. As part of this investment it was agreed that a report detailing the performance and financial position of the Cash Box Credit Union would be presented annually to the Executive Cabinet to help assess the risk relating to the investment. In future, we need to also have an analysis of the published accounts.</p>

Risk Management:

None associated with this report.

Access to Information:

The background papers relating to this report can be inspected by contacting Tim Rainey, Assistant Executive Director, Digital Services:-



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1. BACKGROUND

- 1.1 Tameside Cash Box Credit Union was formed in May 2004, following the merger of the Credit Union for Tameside Employees (CUTE) and the Community Credit Unions based in Tameside. Members must be part of our “common bond” i.e. living or working in Tameside or Glossop.
- 1.2 A credit union is a financial co-operative, which is a form of community bank, owned and managed by its members. As at July 18 Cash Box had 1,969 adult members and 237 junior members with the aim of growing the membership by 17% per annum over the next three years. It had 435 people borrowing a total £685,531. All surpluses are retained by members within the credit union.
- 1.3 Its objective is to improve financial inclusion for the general public, including young people, vulnerable and low income groups, by providing secure community based saving and transactional account facilities and a source of low interest loans for its members.
- 1.4 The Credit Union provides loan facility for members who would otherwise not be able to access credit due to their previously poor credit history and those who wish to borrow £1,000 or less, which would not usually be available from banks. Loans of higher amounts are available to qualifying members (currently £6,000 above savings subject to a cap of £15,000).
- 1.5 Each year Cash Box saves vulnerable Tameside people, around £495,500 per year based on the current loan book and when compared to doorstep loans who commonly charge between 270% APR and 1,532% APR interest depending on loan value and term.
- 1.6 In 2016 Tameside Council became a Corporate Member of the Cash Box Credit Union by the investment of £25k in the form of deferred shares. As part of this investment it was agreed that a report detailing the performance and financial position of the Cash Box Credit Union would be presented annually to the Executive Cabinet to help assess the risk relating to the investment.
- 1.7 Cash Box is managed by a volunteer Board of Directors and directly employs four members of staff. It is based from offices in Clarendon Arcades, Ashton and has collection points in Ashton, Hyde, Denton and Stalybridge. which are operated by 15 volunteer collectors.
- 1.8 Cash Box also receives considerable support in kind from the Council. This includes support and operation of its IT systems, HR support, accommodation and £25,000 invested as deferred shares,

2. QUEENS AWARDS FOR VOLUNTARY SERVICE

- 2.1 Earlier this year Cash Box was awarded the prestigious Queen’s Award for Voluntary Service. It is a great honour and is a tribute to the work and dedication over many years that the many volunteers have made to Cash Box. The award was received at a ceremony at Gorton on 29 August.

3. FINANCIAL CONTROLS AND REGULATION

- 3.1 Since the financial crisis controls and regulation of the financial sector has been significantly tightened. The Credit Union is regulated by the Financial Conduct Authority and the Prudential Regulation Authority (PRA). Credit Unions are also required to comply with the Financial Services Compensation Scheme, the Data Protection Act 1998, Money

Laundering Regulations 2007, Proceeds of Crime Act 2002, Terrorism Act 2006 and the Co-operative and Community Benefit Societies Act 2014.

- 3.2 The effectiveness of Credit Unions is measured by 11 key ratios prescribed by the PRA. Cash Box consistently meets with or exceeds these standards. (See **Appendix 1** for full details). Details of the interest loan projections for October 18 are also included at **Appendix 2**.

4. CREDIT UNION BY NUMBERS (SEPT 18)

Adult members	1657
Junior members	239
Total Borrowers	424
Total Deposits	£1,681,914
Total Loan Book	£690,270
New Loans	£46,290
Loan repayments	£37,841
New loan applications	29
New deposits	£96,990
New withdrawals	£62,508
Delinquency ratio	5.45%

5. CASH BOX RECENT PERFORMANCE

- 5.1 Over the last three years, since the appointment of a full time General Manager and the strengthening of the Board of Directors, Cash Box Credit Union, has transformed its operation from a loss making position in 2012 and 2013 into profit and able to pay a dividend to members for the last 4 years.

The Chief Executive of Association of British Credit Unions Limited (ABCUL) has stated that the Tameside Credit Union is in the top decile within the UK, for community credit unions.

- 5.2 This change in fortunes has been achieved by modernising the financial products offered and also streamlining the back office processes. Highlights include:-

- A new Christmas saving accounts was launched in 2015. This is paid out in November which allows members to take advantage of the early Christmas offers. In November 2016 £160,000 was paid out to Christmas savers, last that figure rose to £202,000 and this year it will be £225,000.
- The table **Appendix 3** details the monthly payroll deduction schemes that are now in place with 23 different local organization with monthly savings in excess of £60,000.

- Improving the management of debts in line with being a responsible lender resulting in the mandatory bad debt provision being reduce by 50% in 2017;
- Developing and embedding robust financial management and other policies, meeting and exceeding all regulatory requirements;
- Approval rate for loan applications has increased to 93%;
- Cash Box is now working with other Greater Manchester community credit unions and the GM Mayor on a pan Manchester offer.

6. EVERY CHILD A SAVER

- 6.1 In 2016 £48,922 was awarded as one of the Leaders 16 for 16 pledges for the “Every Child a Saver” scheme. The scheme was aimed at incentivising rising secondary school pupils in Tameside to open a Credit Union savings account by offering a £10 bonus when a new account was opened. The scheme was run in this form for 2 years (2016 and 2017) and despite considerable marketing was not overly successful. Despite over 5,500 letters being sent to parents and only 82 new children’s savings accounts have been opened and are still active.
- 6.2 This year we have adopted a more targeted approach and have launched a new junior savings scheme in partnership with Millbrook Primary school. Teaching children about money is an essential life skill and starting this at a young age is crucial. The saving club is teaching children about the value of money and how it is important to save for the things they want. Every child who joined the savings club receives a paying in book which they bring to school on a set day to pay in cash. To date there are 30 junior members regularly saving. Once they have successfully saved £13 they will received a £10 Every Child a Saver bonus.
- 6.3 In addition a new Child Benefit Loan has been introduced. This new product is aimed at attracting new business and helping new members to eventually move onto our Standard loan products. The maximum loan on this kind of product will be £500. Early repayment permitted and without penalty.
- 6.4 This new product will provide an opportunity for parents in receipt of child benefit to borrow money from an ethical lender at competitive rates whilst also beginning a weekly (or 4 weekly) saving habit. Parents will be encouraged to open a junior savings account for each child and save a minimum £1 a week each. Withdrawals permitted after 13 weeks. These new junior accounts will attract £10 Every Child a Saver supplement after 13 weeks.
- 6.5 The Child Benefit is paid directly to the Credit Union to cover the loan repayment. Any savings are also deducted before the balance is transferred back to the parent on the same day. The term of any loan is between 26 and 52 weeks (maximum of £500) with a monthly interest rate of 3%. The Parent must open savings account, minimum £2 a week with no withdrawals until loan paid off or 52 weeks.

APPENDIX 1

Key Ratios

Key ratios are a mandatory tool that the Cash Box has to use to measure how well it is managing its resources on behalf of members as can be seen from the table below all ratios are currently well within tolerance levels:

Ratio	Target	Mth 31/10/2017	Mth 30/11/2017	Mth 31/12/2017	Mth 31/01/2018	Mth 28/02/2018	Mth 31/03/2018	Mth 30/04/2018	Mth 31/05/2018	Mth 30/06/2018	Mth 31/07/2018	Mth 31/08/2018	Mth 30/09/2018
Capital as percentage of total assets	min requirement 3%	10.45%	11.21%	11.28%	11.15%	11.08%	10.50%	10.34%	10.03%	10.05%	10.00%	10.60%	9.09%
Credit union's borrowings as percentage of total asset	</=5%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Total shares as percentage of total assets	>/= 70% and </= 90%	88.74%	86.99%	86.34%	86.80%	87.95%	89.14%	89.36%	89.74%	87.64%	88.10%	88.05%	88.40%
Total bad debt written off as percentage of total loans	</= 10%	4.04%	3.50%	3.23%	3.99%	4.10%	3.57%	4.65%	4.80%	3.99%	5.25%	5.20%	5.80%
Net assets as percentage of sum of total shares and juvenile deposits	>/= 105%	104.81%	105.44%	105.69%	105.60%	105.06%	104.45%	104.67%	104.26%	104.57%	104.96%	105.51%	104.01%
Bad debt (more than three months in arrears) as percentage of total loans	</= 20%	5.13%	5.34%	5.23%	7.89%	9.29%	9.62%	7.26%	7.18%	7.32%	6.80%	5.92%	5.56%
Non-earning assets as percentage of total assets	</= 10%	4.04%	3.35%	6.68%	5.53%	2.65%	3.70%	1.42%	1.45%	1.87%	2.01%	1.61%	3.50%
Net zero cost funds as percentage of non-earning assets	>/= 200%	253.90%	336.71%	164.36%	195.16%	404.46%	275.36%	709.47%	681.90%	516.41%	473.24%	588.09%	242.36%
Loan income over 12 months as percentage of total loans	>/= 6%	24.81%	24.48%	24.16%	25.01%	25.71%	25.08%	25.82%	26.07%	24.32%	23.74%	23.99%	23.61%
Net loans as percentage of total assets	Not applicable	34.89%	38.70%	38.10%	36.62%	35.27%	35.38%	34.60%	34.07%	35.59%	36.07%	35.63%	35.43%
Liquidity	>/= 10%	39.79%	30.42%	32.93%	35.51%	37.03%	37.18%	38.34%	39.57%	39.89%	39.88%	40.52%	42.28%

APPENDIX 2

Loan Interest Projections for October 2018

Product	Product Code	No. of members	Balance*	% per month	Projected Interest
Loan 1	L1	4	£4,558	1%	£46
2% Loan	L3	266	£523,443	2%	£10,469
1% Secured	L7	41	£38,021	1%	£380
3% Payroll Loan	L6	89	£107,621	3%	£3,229
2% Payroll Loan	L8	2	£1,740	2%	£35
Summer Payroll Loan 2017	L9	2	£1,620	2.5%	£41
Instant Loan	L10	14	£4,450	3%	£133
New Year Payroll Loan	L11	7	£8,347	2.75%	£230
Child Benefit Loan	L12	1	£464	3.00%	£14
TOTAL		426	£690,265		£14,576

APPENDIX 3

Payroll Deduction Schemes

RUN	Organisation	No's	Value
1	TMBC	352	£38,651.64
2	Droylsden Academy	1	£160.00
3	NCHT/Jigsaw Tenants	61	£6,228.38
4	TMBC Teachers	6	£438.87
5	NCHT/Jigsaw Staff	32	£4,056.00
6	Great Academies	5	£704.00
7	Active Tameside	10	£1,075.10
8	Action Together (CVAT)	2	£250.00
9	CAB	2	£110.00
10	Credit Union	2	£177.00
11	Ashton Pioneer	9	£995.00
12	All Saints	1	£75.00
13	Carillion/Robertson	2	£320.00
14	Hawke	4	£225.00
15	Our Lady of Mount Carmel	1	£50.00
16	Poplar Street	10	£880.00
17	St Stephens	3	£80.00
18	Holy Trinity	3	£330.00
19	Thomas Ashton	12	£650.00
20	Longdendale	1	£60.00
21	Rayner Stephens	3	£455.00
22	Tameside Gen Hospital	46	£4,565.27
23	CCG	2	£50.00
		570	£60,510.26