

PERTH AND KINROSS COUNCIL**Housing and Health Committee****29 January 2014****Establishing a Perth and Kinross Credit Union****Executive Director (Housing and Community Care)****PURPOSE OF REPORT**

The purpose of this report is to update Committee on the progress in establishing a Credit Union in Perth and Kinross and to advise that an application for registration with the Prudential Regulation Authority and the Financial Conduct Authority is at an advanced stage and an affirmative decision is anticipated early in 2014.

1. BACKGROUND

- 1.1 Credit Unions are non-profit making organisations which provide a “financial community” for the mutual benefit of members. The development of a Perth and Kinross Credit Union is of strategic importance for the Council, as a means of extending wider access to a range of financial services, for people who may find it difficult to access these in the traditional financial sector.
- 1.2 This can mean helping those who can’t get access to ordinary bank products and can be a very important support for less well-off communities. Credit Unions can also offer more affordable loans as an alternative to payday loans or doorstep lending. However, Credit Unions are not just for people who are struggling financially. They can also appeal to those who want to bank ethically and benefit their wider community.
- 1.3 Credit Unions are authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority, which are the two separate regulatory authorities which recently replaced the Financial Services Authority (FSA). A range of financial services and products are offered such as savings accounts, current accounts, insurance, direct debits and standing orders.
- 1.4 The following table indicates the key milestones which have been attained during the development of the Credit Union up to January 2014.

Key milestones	Dates
CAB establish Project Steering Group	May 2009
CAB appoint development worker to raise awareness and carry out feasibility work	October 2009
700 membership pledges achieved	June 2011
ODS Consultancy appointed to prepare registration submission	November 2011
Shadow Board of Directors appointed	November 2012
ABCUL (Association of British Credit Unions) officer bearers training completed by the Shadow Board	March 2013
Credit Union Manager appointed	February 2013
Target of 850 membership pledges achieved	February 2013
Formal Application to the PRA and FCA	March 2013
Perth & Kinross Credit Union marketing materials ready	July 2013
Staff move into Offices at 282 High Street, Perth	September 2013
Initial feedback from PRA and FCA	September 2013
Resubmission of application to PRA and FCA	November 2013
Installation of bespoke IT system and ready for operation.	November 2013
Conference meeting between shadow Board members and PRA – “positive” response from PRA.	December 2013
Notification of a registration date by PRA	Expected

- 1.5 Throughout the development phase outlined above, Council Officers have been involved in supporting and assisting the Board, and will continue to do so following registration. Housing and Community Care Services has also provided seedcorn funding of £185,000 in order to support the core costs of the project for the first three years (by which time the ability of the Credit Union to be self-sustaining will be better identified); including provision for the operation of a low cost loan initiative.

2. PROPOSALS

Progress Update

- 2.1 Recent feedback from the Prudential Regulation Authority (PRA) has indicated that it will shortly be in a position to confirm a registration date, in March 2014. Thereafter, the ‘shadow’ Board of Directors will continue in place until a formal election takes place at the first Annual General Meeting at the end of 2014. “Approved person status” is a pre-requisite for carrying out the role of a director and, therefore, shadow board members will form the core of the fully fledged Board, when it is elected. Directors have a variety of skills and competencies such as accountancy, training, marketing, owning and/or running a business, human resources and credit management which they bring to the Board, and will continue to receive appropriate and ongoing training to carry out their roles.

- 2.2 Currently, the “shadow” Board is proactively looking at key business areas falling into the categories of governance, business development, customer products and systems and processes. These areas are being developed now that the registration milestone is close to being achieved, to ensure that the business is primed to become operational shortly after the registration date. There will be short delay between registration and the Credit Union becoming operational because certain essential administrative matters can only be attended to once registration is in place, such as the opening of a Bank Account.
- 2.3 Promotional work to raise awareness of the Credit Union is continuing, and a marketing plan has been formulated which will be put into action using the local media, social media, community resources and other venues to publicise the work of the Credit Union. Community groups, voluntary organisations, Housing Associations, Tenants and Residents groups and local employers including the Council will also be targeted. Agreement is already in place with the Council for the promotion of a payroll deduction scheme for Council staff, and recent positive discussions have taken place with Perth College and Scottish and Southern Energy.
- 2.6 In recognition of the financial support being provided by Housing and Community Care, a Service Level Agreement will be put in place with the new body, and this will be subject to formal monitoring by the Commissioning and Contracting Team, with regular reporting to the Purchased Services Board/Senior Management Team, within Housing and Community Care.
- 2.7 Recent media attention has highlighted the shortcomings of “payday” loans. Credit unions and low cost loans are increasingly being recognised as an alternative for people who need to borrow smaller amounts for a short term period and/or when a poor credit rating means that an affordable loan from a bank or building society is not an option. The Perth & Kinross Credit Union is proposing to introduce a Low Cost Loan Scheme for amounts up to £300, and hopes to assist up to 100 members at any one time. It should be noted that security for this type of loan is critical, and members would require to have a part of their income from wages or state benefits paid directly to the Credit Union to repay the loan, but also to establish an individual savings pot for the future. This will be the first loan scheme offered by the Credit Union when registration is approved in spring 2014, but it will be followed by a range of other facilities when the Credit Union has sufficient lending capacity.

3. CONCLUSION AND RECOMMENDATION

The Committee is asked to note the progress which has been made towards establishing a Credit Union in Perth and Kinross and the recent positive feedback from the Prudential Regulation Authority and the Financial Conduct Authority about the registration of the new body.

The Committee instruct the Executive Director of Housing & Community Care to bring back a report within 6 months of the operation of the Credit Union on its progress.

Author

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Approved

Name	Designation	Date
John Walker	Executive Director, Housing and Community Care	20 January 2014

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1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

The undernoted table should be completed for all reports. Where the answer is 'yes', the relevant section(s) should also be completed

Strategic Implications	Yes / None
Community Plan / Single Outcome Agreement	Yes
Corporate Plan	Yes
Resource Implications	
Financial	Yes
Workforce	None
Asset Management (land, property, IST)	None
Assessments	
Equality Impact Assessment	None
Strategic Environmental Assessment	None
Sustainability (community, economic, environmental)	None
Legal and Governance	None
Risk	Yes
Consultation	
Internal	Yes
External	Yes
Communication	
Communications Plan	Yes

1. Strategic Implications

Community Plan / Single Outcome Agreement

- 1.1 This report supports the following outcomes from the Community Plan/Single Outcome Agreement and Corporate Plans respectively:

- Supporting People to lead independent, healthy and active lives

Corporate Plan

- 1.2 As outlined in section 1.1.

2. Resource Implications

Financial

- 2.1 Financial projections submitted to the Prudential Regulatory Authority and the Financial Conduct Authority, as part of the rigorous approval process provide detailed financial projections for the first 3 years of operation. Perth and Kinross Council's financial support of £185,000 is a critical part of Credit Union's financial projections in the initial three year development period, as

the Credit Union develops its customer base and moves towards a sustainable and self funding business model. The Head of Finance has been consulted and is in agreement.

Workforce

- 2.2 There are no direct workforce implications arising from this report.

Asset Management (land, property, IT)

- 2.3 There are no land, property or IT implications arising from this report.

3. Assessments

Equality Impact Assessment

- 3.1 Under the Equality Act 2010, the Council is required to eliminate discrimination, advance equality of opportunity, and foster good relations between equality groups. Carrying out Equality Impact Assessments for plans and policies allows the Council to demonstrate that it is meeting these duties.

This section should reflect that the proposals have been considered under the Corporate Equalities Impact Assessment process (EqIA) with the following outcome:

- (i) Assessed as **not relevant** for the purposes of EqIA.

Strategic Environmental Assessment

- 3.2 The Environment Assessment (Scotland) Act 2005 places a duty on the Council to identify and assess the environmental consequences of its proposals.

The content of this report have been considered under the Act, however, no action is required as the Act does not apply to the matters presented in this report.

Sustainability

- 3.3 Under the provisions of the Local Government in Scotland Act 2003 the Council has to discharge its duties in a way which contributes to the achievement of sustainable development. In terms of the Climate Change Act, the Council has a general duty to demonstrate its commitment to sustainability and the community, environmental and economic impacts of its actions.

No steps are required to be taken in this area.

Legal and Governance

- 3.4 The Head of Legal Services has been consulted on the content of this report.

Risk

- 3.5 There no other risks arising from the report other than the registration process and final date of approval. The Credit Union operates its own risk log in relation to managing the process of registration and the operation of the credit union itself and this is regularly reviewed by the Credit Union shadow board.

4. Consultation

Internal

- 4.1 The Commissioning and Contracting Team and the Finance Team within Housing and Community Care have prepared this report and there is no requirement for wider consultation.

External

- 4.2 The Perth and Kinross Credit Union manager has been consulted in the preparation of this report.

5. Communication

- 5.1 The Credit Union is in the process of developing a comprehensive Communications Plan which will raise awareness of the Credit Union's objectives and activities in communities throughout Perth and Kinross. This plan will be specifically targeted towards attracting the savers and borrowers which will be the life blood of the Union. The first phase of communications will focus on increasing saver numbers, both through Employer Partners and directly.

2. BACKGROUND PAPERS

There are no background papers relevant to this report.

3. APPENDICES

There are no appendices to this report.

