

ESSEX SAVERS NET CREDIT UNION (ESNCU)

1 SUMMARY

- 1.1 To consider the possibility of establishing a Credit Union within Rochford District.
- 1.2 The Essex Savers Net Credit Union (ESNCU) approached this Council to seek assistance in setting up a local community branch of the credit union within Rochford as part of the Essex scheme. Members agreed to receive a presentation from ESNCU, which occurred at the Policy and Finance Committee on 7 April 2004. The decision was to refer the matter to this Committee for an in-depth review.

2 CONSIDERATION

- 2.1 The Credit Union Development Agency is in the process of setting up the ESNCU for Essex. Their business plan is to set up community branches within the Districts.
- 2.2 The Credit Union will be a profit sharing non-political financial co-operative, which is owned and controlled by its members. At the moment it is at the formation stage as ESNCU are awaiting the results of registration with the Financial Services Authority.
- 2.3 Appended to this report are the following documents submitted by ESNCU
- Business Plan – Executive summary (Appendix 1)
 - ESNCU projected financial results (Appendix 2)
 - Community branch costs (Appendix 3)
 - Copies of handout used at Policy and Finance on the 7th April (Appendix 4)
 - Extract of the minutes of Policy and Finance Committee held on the 7th April (Appendix 5).
- 2.4 Some key points are as follows. After paying a joining fee a Member agrees a savings plan. All funds are pooled. Subject to availability of funding a Member can request a loan (current rate 12.7%).
- 2.5 The Credit Union needs to build up a momentum with more savings and more loans, which produce interest to ensure that the Credit Union is an ongoing business. Surpluses will be distributed via a dividend.
- 2.6 Savers will not only be people who have the intention to borrow as it will need to attract other groups of savers including Corporate bodies to invest in the Credit Union as a way of supporting the community.

2.7 However, the key benefit on the Credit Union is the availability of loans to Members. The existence of a Credit Union will combat doorstep loans where there is the potential to keep customers in debt and charge excessive interest. Also there is access to credit for small sums, which is something difficult in the commercial market.

2.8 ESNCU want the establishment of a Credit Union for Rochford as a scheme with costs within the first three years but then establishes a long-term, self-financing project.

3 RESOURCE IMPLICATIONS

3.1 The business plan of the community branch costs for Rochford shows year one costs at £75,000 and years two and three around £20,000 per year. Clearly Rochford should not be alone in the provision of any funding, as there should be interest from Essex County Council Social Services, Housing Associations etc. ESNCU also identify Business Link and the Learning and Skills Council as other potential funders. However if funding does not materialise from these other sources, there will reliance on this Council for funding.

3.2 Assistance could also be in the form of access to premises, publicity and the direct action of this Council in promoting the credit union. The authority could also help through its contacts with other partner organisations and with publicity.

3.3 It has to be recognised that there is a difference in the resource implications to this Council between simply responding to ESNCU as against this Authority playing an active role and approaching all partner bodies and other potential funders.

3.4 In looking at these issues, the Council needs to; -

- Establish the justification for the project, i.e. to determine what is the strength of the case that residents have difficulty in getting access to commercial credit and may therefore make arrangements with a doorstep lender.
- Consider the impact on residents of this course of action and other possible benefits.
- Consider the basis of the business plan in that it requires short term funding for a long term project. This probably hinges on whether the Credit Union can generate enough turnover to meet ongoing costs without future public funding.
- Consider what are the alternatives to the credit union.
- Consider any wider role of the Council towards this scheme.

- Consider how this proposal fits into the Corporate Plan and the budget strategy of the Council and in particular how the priority for this scheme is determined against other requirements of the Council.

4 RECOMMENDATION

- 4.1 It is proposed that this Committee consider the way forward in relation to offering any support for the ESNCU.

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Background Papers:

See attached

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