

BOOM CREDIT UNION – APPLICATION FOR FINANCIAL ASSISTANCE

Executive Summary

Boom Credit Union was created on 29 September 2016, in a merger between SurreySave Credit Union and West Sussex Credit Union. The Credit Union has the joint aims of reducing financial exclusion amongst the residents of Surrey, Kingston and West Sussex by providing affordable loans to those who otherwise would be obliged to use high cost finance from payday and other high interest lenders, and by encouraging saving and helping members to control their personal finances.

The Credit Union has delivered affordable small loans to people on low incomes (termed Tier III loans by DWP for households with average income of less than £20k per annum) over the past eight years.

The Group has applied for funding of £20,112 in the coming year. The application consists of costs of the Sheerwater Office in Devonshire Avenue at a total of £15,709 and marketing costs of £4,403. The Council has supported the Credit Union financially for a number of years and provides the Organisation with rent free accommodation in Dartmouth Avenue at a value of £12,000pa.

The amount of funding requested - £20,112 – is significantly higher than the sum the Council awarded, under Ostensible Authority, for the current year (£12,400). That funding was based on the budgets provided by the Credit Union which consisted of £5,837 for the operating costs of the office and £6,571 for the outreach programme for residents. The application requests a further sum of £4,403 for marketing initiatives including a bus advertising campaign in Woking and a contribution to the costs of an advertising billboard in New Malden.

It is proposed that the application is supported but that the level of funding is maintained at the level awarded for the current year, in line with the approach taken with other applications for continued revenue support. Accordingly, a grant of £12,400 is recommended for the coming year for costs associated with services for the residents of the Borough of Woking, in addition to the in-kind support of office accommodation in Sheerwater. The funding is to be used towards the costs of the Sheerwater Office and promoting the service within the Borough.

It is noted that the Group does not currently operate either an Equalities Policy or a Safeguarding Policy and it is therefore proposed that a condition of the grant that satisfactory policies are submitted to the Council prior to any funds being released. The Group is to be encouraged to work with the Council's Community Development and Engagement Team to draw up suitable policies and to see how greater awareness of the service can be achieved in the Borough.

Recommendations

Reasons for Decision	To continue to support the service for the benefit of the residents of the Borough of Woking.
Legal Authority	S142 Local Government Act 1972
The Executive is requested to:	RESOLVE That a grant of £12,400 is awarded assist with the costs of the Sheerwater Office and promoting the service within the Borough.
Conditions	Accounts. The Organisation must submit audited accounts for the

Boom Credit Union – Application For Financial Assistance

year in which the grant is awarded, including an income and expenditure account and balance sheet. Please note that accounts for other years may also be required.

Monitoring Information. The Organisation must submit quarterly monitoring information as a measure of its achievements. Failure to provide details will jeopardise the award. E-mail requests will be sent to the applicant on a quarterly basis.

Publicity. Where possible, the Organisation is required to publicise the support received from Woking Borough Council, including on all literature and leaflets produced.

Payments. Unless exceptional circumstances exist all invoices must be received quarterly with details of the costs incurred and monitoring information for the previous quarter.

Payment Period. Final quarter claims must be made by the second week in March. Unclaimed awards will not be available at a later date unless exceptional circumstances can be demonstrated to the Council before the end of the award year.

Joint Working. WBC expects the Organisation to engage positively on health and wellbeing multi-agency joint work affecting Woking. Groups which refuse may place their Council support at risk, e.g. grant, concessionary rent and other assistance.

The Group is to be encouraged to work with the Council's Community Development and Engagement Team to draw up suitable policies and to see how greater awareness of the service can be achieved in the Borough.

Safeguarding Policy. The Organisation is required to operate a satisfactory Safeguarding Policy and submit the Policy to the Council prior to any funds being released.

Equalities Policy. The Organisation is required to operate a satisfactory Equalities Policy and submit the Policy to the Council prior to any funds being released.

Invoices / Receipts. In order to claim an element of the funding, the Organisation must submit paid invoices or receipts relating to equipment purchased or services provided.

Homelessness Reduction Act 2017 – with the introduction of new legislation from April 2018, the council will expect the support of partner agencies in identifying people at risk of homelessness as early as possible to maximise the opportunities to prevent such. Partner agencies / organisations will be expected to be engaged in joint working arrangements to assist in finding suitable housing and support solutions, and where appropriate to undertake and respond to the new 'duty to refer'. Groups which do not support this new legislation and way of working positively, may put their Council support at risk.

Venue Hire. Woking Borough Council has a duty to ensure that publicly-owned venues and resources do not provide a platform for extremists and are not used to disseminate extremist views. This duty extends to organisations that work with the local authority so this includes recipients of any grants from Woking Borough Council. If you hire out your venue/s you should ensure you have good processes in place for record keeping and checking if they are an appropriate

Boom Credit Union – Application For Financial Assistance

	<p>group to be making the hire arrangements. The following are some of what should be considered:</p> <ul style="list-style-type: none"> • Basic details should be recorded to include speakers address, mobile phone number & organisation details. • Has the identity of the speaker been confirmed & is their organisation bona fide? Are they known to you? • Is the speaker from the area? Are they UK citizens or from overseas & will they travel specifically for this event? • Consider checks on the internet to confirm the status of speaker to include website, YouTube or social media sites. • How many people are likely to attend (check previous or similar events either locally or online).
Performance Indicators	<p>Users. The Organisation to provide a breakdown of the users in the past quarter.</p> <p>Enquiries. The Organisation to provide a breakdown of the enquiries received during the last quarter.</p> <p>Publicity. The Organisation to advise how the Council's support has been publicised over the last quarter.</p> <p>Statement of Use. The Organisation to provide a statement stating the use to which the grant money has been put.</p>
Future Support	<p>The financial pressure on the Council's budgets is expected to continue in the coming years and accordingly the overall level of support available in future years may be reduced. The applicant is therefore to be advised that the award of funding for 2018/19 does not imply that a similar application in 2019/20 would be supported. In particular, it is emphasised that the Council is unlikely to be in a position to award any sums above the 2018/19 levels.</p> <p>In view of this, the applicant is to be advised to ensure that contingency plans for the Group's operations for 2019/20 have been drawn up in the event that the Council is unable to continue its support beyond April 2019. All applicants are strongly recommended to pursue alternative sources of funding and are encouraged to approach Woking Borough Council's Community Support Team for advice and support.</p>

The Executive has authority to determine the above recommendations.

Background Papers:

2018/19 Application Form.

Reporting Person:

Sue Barham, Strategic Director
Extn: 3810, Email: sue.barham@woking.gov.uk

Ray Morgan, Chief Executive
Extn: 3333, Email: ray.morgan@woking.gov.uk

Contact Person:

Frank Jeffrey, Democratic Services Manager
Extn: 3012, Email: frank.jeffrey@woking.gov.uk

Boom Credit Union – Application For Financial Assistance

Doug Davern, Democratic Services Officer
Extn: 3018, Email: doug.davern@woking.gov.uk

Portfolio Holder:

Cllr Ayesha Azad
Email: Cllrayesha.azad@woking.gov.uk

Shadow Portfolio Holder:

Cllr Ian Eastwood
Email: cllrian.eastwood@woking.gov.uk

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Boom Credit Union – Application For Financial Assistance

1.0 Summary of Application	
1.1 Status and Aims	<p>Boom Credit Union was created in September 2016 in a merger between SurreySave Credit Union and West Sussex Credit Union. Boom Credit Union has the joint aims of enabling the residents of Surrey, Kingston and West Sussex to become financially included.</p> <p>The Organisation aims to provide affordable loans to those who otherwise would be obliged to use high cost finance from payday lenders and other high interest lenders. The Organisation also helps residents to save and provides cheaper loans so that residents can consolidate existing high interest debts.</p> <p>Credit Unions are locally based, locally funded and ethical institutions in which savers have a stake. It is a mutual cooperative bank, owned and controlled by its members (its customers). Credit Unions offer simple services with no hidden charges or penalties, relying on larger loans to subsidise the cost of smaller loss making loans.</p> <p>The Organisation has an Office at 49 Dartmouth Avenue, provided by Woking Borough Council.</p>
1.2 Employees	14, including the General Manager (36 hours), the Head of Business Growth (36hrs), the Office Manager (36hrs), the Partner Relationships and business growth support (30hrs), the Loans Officer (36hrs), the accountant (15hrs) and five Office Operations Officers).
1.3 Volunteers	1, whose activities include support with the loans process and other office based tasks.
1.4 Clients/Users	The members are 'users'. They are customers for whom financial services are provided in the form of loans, savings and pre-paid debit cards.
1.5 Members	6,635, comprising: 2,771 male 3,864 female 154 resident in Woking 35 aged 0-5 155 aged 5-10 197 aged 11-18 5,511 aged 19-65 737 aged 65+
1.6 Sum Requested	£20,112 (Revenue)
1.7 Project	The grant requested is to: <ul style="list-style-type: none"> ○ fund the costs associated with the running of the Sheerwater Office. ○ undertake a programme of outreach and awareness raising in support of those that are financially excluded from high street financial services.

Boom Credit Union – Application For Financial Assistance

	<ul style="list-style-type: none"> ○ reach out to current users of loan sharks and payday lenders and rent to buy shops. ○ reach out to those on middle incomes who have overcommitted themselves and find themselves excluded from competitive high street lending rates. <p>The Organisation plans to extend its reach into the more deprived areas of Woking Borough and maintain the presence on the Sheerwater Estate and continue to provide a focal point for a Surrey Credit Union.</p> <p>The work has been previously funded from a combination of interest revenue on loans and grants from local authorities and other partners.</p>
<p>1.8 Cost breakdown:</p>	<p>The funding breakdown is based on the following:</p> <p>Sheerwater Office Costs:</p> <p>Heat/Lght - £2,512 Water - £79 Domestic waste - £661 Cleaning - £630 Office machinery - £800 Telephone communications - £1,129 Public Liability insurance - £315 1 part-time staff member - £9,583</p> <p>Sub-Total = £15,709</p> <p>Marketing Initiatives:</p> <ul style="list-style-type: none"> ○ Bus advertising campaign Woking - £3,000 ○ Eagle radio campaign - £583 ○ *Digital Billboard A3 - £500 ○ Boom Leaflets - £160 ○ Engage card leaflets - £160 <p>Sub-Total = £4,403</p> <p>*The Organisation is considering contracting a company, initially for six months, to upload a set of adverts onto their very large digital billboard situated in New Malden on the side of the A3. The cost of the advertising is £1,000 + vat per month. The Group is seeking a contribution towards this and notes that it represents an ongoing revenue cost, rather than capital cost.</p>
<p>1.9 Community Benefit</p>	<p>The Applicant has stated that Woking has 11% social housing, providing approximately 5,000 Council or social housing homes. Boom Credit Union has identified where the pockets of disadvantaged population with lower incomes live and the intention is to target these areas over the next 12 months with the assistance and involvement of New Vision Homes.</p> <p>Woking has a population of just under 100,000. 66% are aged 15 to 64 which is the main age group supported by the Credit Union. Past experience by Boom Credit Union has shown that there is further potential to provide ethical loans and a current bank account through providing an 'Engage' card, especially to those residents that find it difficult to get a bank account.</p> <p>It is expected that at least 300 people within the Borough will benefit</p>

Boom Credit Union – Application For Financial Assistance

	<p>from receiving receiving loans and having savings with us over the next 3 year. The Organisation would like to see an increase in loans and savings of at least 25% in Woking.</p> <p>The Credit Union lends responsibly, taking into account the full personal circumstances of each potential borrower. The target in Woking is to increase the number of members by 25% over the next three years.</p> <p>The Applicant has advised that without Woking Borough Council support it is unlikely that the activities of the Boom Credit Union Sheerwater office will be able to continue in the short term. The existence of a physical presence in Woking is advantageous especially for those residents who are not digitally competent.</p>
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2.0 Financial Background	
2.1 Budget	<p>At the time of the application, the Group held £345,268 in the bank. The sum is not reserved for a specific use.</p> <p>Due to the recent merger of SurreySave and West Sussex Credit Union, a budget for the years 2018/19 and 2019/20 is yet to be drawn up. The projected budget for the current financial year (September 2016 to September 2017) has been submitted with the application form.</p> <p>The budget for the current year indicates a deficit of £18,930 based on an income of £498,525 against an expenditure of £517,455.</p> <p>Income includes loan interest (£423,025), WSCC grant (£37,500), SS Grants (£21,000) and Bank Interest (£17,000). Items of expenditure include Salaries (£232,637), Debt Provisioning (£125,721), Promotion and Advertising (£30,000) and Rent & Rates (£25,200).</p> <p>The Group has advised that it has applied for finding from Lloyds Bank (£75,000 awarded) and the London Trust (unsuccessful).</p>
2.2 Accounts	<p>The Group has submitted accounts to September 2016. Included is a Revenue Account which shows a surplus of £3,318 in 2016 (a surplus of £35,257 in 2015). The sum of £237,999 was carried forward at the end of the year.</p> <p>Income included loan interest receivable (£236,820) and other income (£166,146). Items of expenditure included administrative expenses (£253,215), impairment losses on loans (£87,546) and other operating expenses (£43,256).</p>
2.3 Support over the past five years	<p>September 2011 onwards – The Council has provided the Organisation with an Office in Sheerwater together with discretionary rate relief. The value of the rent support is £12,000 per year.</p> <p>2015/16 – £50,000. The Executive received reports on the SurreySave Credit Union in July 2015 and November 2015.</p> <p>The Executive was advised that, as savers funds grew, SurreySave was experiencing pressure on their capital to assets ratio which must be maintained at the statutory level of 3%. Rather than set aside income into a reserve, which would increase the time taken to achieve a break even operation, the Credit Union proposed to raise capital</p>

Boom Credit Union – Application For Financial Assistance

through the offer of deferred shares. As a supporter of the Credit Union from its inception, Woking Borough Council has been approached as a potential investor.

The Executive resolved in July 2015 that £50,000 be awarded in deferred shares in the SurreySave Credit Union by September 2015. In November 2015 the Executive awarded a further £50,000 in deferred shares. The second award was subsequently withdrawn, in view of a request for funding received towards the end of 2016.

2016/17 and 2017/18 - £18,600. Under Ostensible Authority the Chief Executive awarded Boom Credit Union a grant of £6,200 for the period October 2016 to April 2017 and a grant of £12,400 for the 2017/18 financial year. The funding was awarded to cover the operating costs of the office (£5,837 per year) and the Outreach programme for Woking residents (£6,571 per year).

3.0 Assessment of Application

3.1 Key Information	<ul style="list-style-type: none"> ○ Constitution ○ Registered Charity ○ VAT Registered ○ Equal Opportunities Policy ○ Safeguarding Policy ○ Reserves Policy ○ Quality Mark ○ Other funding sources pursued ○ Other support by the Council ○ Fundraising ○ Two quotes ○ Regular monitoring provided previously <p>*The Credit Union does not operate a Constitution. However its rules and regulations have been submitted alongside the grant application. All credit unions are constituted by law according to the 1981 Credit Union Act of Parliament and regulated by the Financial Conduct Authority and the Prudential Regulation Authority, to which all Credit Unions submit quarterly returns.</p> <p>**Discretionary Rate Relief and concessionary rent provided by Woking Borough Council.</p> <p>***The Credit Union has advised that it has been unable to provide monitoring information following its merger.</p>	<p>No*</p> <p>No</p> <p>No</p> <p>No</p> <p>No</p> <p>No</p> <p>No</p> <p>No</p> <p>Yes</p> <p>Yes**</p> <p>No</p> <p>No</p> <p>No***</p>
3.2 Consultee Comments	<p><u>Officer Comment</u></p> <p>I am supportive of the need for there to be appropriate funding providers who can provide affordable loans to those who otherwise</p>	

Boom Credit Union – Application For Financial Assistance

	<p>would be forced to seek high interest loans from payday lenders – such as Boom Credit.</p> <p>However, I am concerned that the level of take-up within Woking is extremely low compared to the rest of their operation elsewhere which would need to be proactively addressed should a grant be awarded. I consider that this could be done very easily with the help and support of the Council's Community Development and Engagement Team.</p> <p>I would also want some assurance from Boom Credit that following their recent merger, Woking would still remain a key area of development, and not just be subsumed into their wider activity, and that there is close monitoring on the number of new customers accessing loans. (Proposal is 300 over 3 years).</p> <p>I note with real concern though that they have not submitted a Safeguarding Policy or indeed an Equalities Policy. Bearing in mind the work that they undertake, any grant award must be conditional on prior receipt of acceptable Policies.</p> <p>If all the above issues are addressed, then I would be supportive of a grant being made, but only to similar levels of funding in previous years.</p>
3.3 Assessment	<p>Boom Credit Union, formerly the SurreySave Credit Union, has applied for funding of £20,112 in the coming year. A full breakdown of the costs can be found in Section 1.8. The application consists of costs of the Sheerwater Office in Devonshire Avenue at a total of £15,709 and marketing costs of £4,403. In considering the request for the costs of the Sheerwater Office, it should be noted that the Office is provided rent free by Woking Borough Council, representing annual support to the value of £12,000.</p> <p>The Applicant has advised that the Credit Union is continuously looking to the future, by re-inventing itself and looking at long term solutions to ultimately achieve long term sustainability. The Strategy to achieve this will be;</p> <ol style="list-style-type: none">1. Driving Business Growth2. Demonstrating Operational Excellence3. Delivering Superior Customer Care and engendering customer loyalty4. Maximising employee satisfaction / performance <p>The Credit Union intends to be in a position over the next 3 years where it does not rely on grant funding from any source. The Organisation intends to generate enough income from interest on loans to become self sufficient. The more the Organisation grows, the more it can market itself, enabling it to reach more people that need assistance.</p> <p>Since the two Credit unions came together in a merger to form Boom in September 2016, the Organisation has already seen some significant growth, with average monthly loan applications up 34% and average loan application monthly value up 53%. The value of new loans approved is up by 89%.</p> <p>The Council has supported the Credit Union financially for a number of years (ref Section 2.3) and provided the Organisation with rent free</p>

Boom Credit Union – Application For Financial Assistance

accommodation in Dartmouth Avenue at a value of £12,000pa. The Sheerwater office supports people beyond the Borough of Woking though whilst the office acts as a base in Surrey, the Organisation sees a very small footfall, with most people apply online or over the phone. Three members of staff work from the office, one member performer tasks of a banking and finance nature whilst the others are employed to grow the business, attracting new customers for savings loans and the pre-paid card from across the Organisation's common bond area of Surrey, Kingston and West Sussex. Boom Credit Union has a further office/shop in Worthing Town Centre, established approximately 8 years ago.

The applicant has advised that 30 loans have been taken out in Woking since January 2017 to the value of £76, 220, at an average of £2,540 per loan. Across the whole Credit Union since 01/01/2017, the Organisation has issued 1,257 loans to the value of £2,339,390. It is noted that the number of loans issued in Woking represents 2.4% of the overall loans issued. Before the merger took place in September 2016, West Sussex was more established than SurreySave and had approximately 3 times the number of members. Due to the shop presence in Worthing Town Centre and a part-time presence in Crawley Town Hall, West Sussex Credit Union was more successful in attracting new members especially from the Worthing and Crawley areas.

Activities organised in Woking have included:

- Leaflet delivery across the Sheerwater Estate.
- Leaflet Delivery across the Sythwood estates and Goldsworth park areas.
- Partnership with Halifax and Lloyds Banks in Woking and associated branches to refer bank customers to Boom.
- Leaflet drop around town centre, library, Lighthouse, Council Offices etc.
- Re-engaged with New Vision Homes in order to reach out to tenants who may benefit from Boom products.

The Group acknowledges that it needs to do more to increase its profile across Woking and all of its common bond area. Marketing initiatives have been undertaken across the Credit Union area over the past 6 months and a 36.22% increase in the number of loans from quarter 4 in 2016 to quarter 2 in 2017 was received. These initiatives and campaigns included:

- 2 x radio campaigns
- Bus advert in Guildford
- Various leafleting
- Various posters
- 2 road shows in Crawley and Worthing
- Video to show in public places
- More active partnering with Councils
- Partnering with Lloyds, Halifax and Barclays Banks

The Applicant has indicated that within the Credit Union's operational

Boom Credit Union – Application For Financial Assistance

plan marketing and advertising initiatives have been identified which will impact on people living in Woking. These include:

- Surrey Radio campaign
- Digital Billboard advertising on the A3 / M25
- Direct mailing campaigns (pending success of campaign in West Sussex area)
- Maximising Woking (details to be decided)
- Selling pre-paid cards (Engage Current Account)
- Website improvement – phase 2
- Shop sign – Brand awareness
- IVR Marketing (Interactive Voice Response) is an automated telephony system that interacts with callers, gathers information and routes calls to the appropriate recipient.)
- Social media marketing
- Silent Visual Advertising

The objective for Woking is to use marketing and advertising initiatives to attract 300 more customers over the coming 3 years. In addition, the Credit Union will look to encourage more savers, the income from which is invested in the loans awarded.

The amount of funding requested - £20,112 – is significantly higher than the sum the Council awarded, under Ostensible Authority, for the current year (£12,400). That funding was based on the budgets provided by the Credit Union which consisted of £5,837 for the operating costs of the office and £6,571 for the outreach programme for residents. The increase in office costs is based on a 5% increase in existing costs and the inclusion of a proposal to employ a part time member of staff at a cost of £9,583 each year. The application requests a further sum of £4,403 for marketing initiatives including a bus advertising campaign in Woking and a contribution to the costs of an advertising billboard in New Malden.

It is proposed that the application is supported but that the level of funding is maintained at the level awarded for the current year, in line with the approach taken with other applications for continued revenue support. Accordingly, a grant of £12,400 is recommended.

It is noted that the Group does not currently operate either an Equalities Policy or a Safeguarding Policy and it is therefore a condition of the grant that satisfactory policies are submitted to the Council prior to any funds being released. The Group is to be encouraged to work with the Council's Community Development and Engagement Team to draw up suitable policies and to see how greater awareness of the service can be achieved in the Borough.

REPORT ENDS