

## CABINET

19 January 2021

<b>Title:</b> Procurement of a New Credit Union to Deliver a Local Community Banking Service	
<b>Report of the Cabinet Member for Finance, Performance and Core Services</b>	
<b>Open Report</b>	<b>For Decision</b>
<b>Wards Affected:</b> All	<b>Key Decision:</b> Yes
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<b>Accountable Director:</b> Mark Fowler – Director of Community Solutions	
<b>Accountable Strategic Leadership Director:</b> Claire Symonds, Acting Chief Executive	
<b>Summary:</b> <p>The Borough Manifesto sets out the Council’s commitment to empowering people and growing the Borough inclusively, so everyone has the opportunity to live a healthy, safe and independent life. It identifies debt and financial insecurity as one of several complex challenges continuing to impact too many in Barking &amp; Dagenham. A key strand of our Inclusive Growth Strategy relates to a cross-cutting theme around money, debt and poverty reduction. Increasing access to affordable credit and financial services aligns with and builds on a range of activity already underway relating to debt, prevention and strengthening financial resilience, contributing both to this wider agenda as well as to other linked initiatives.</p> <p>Since June 2020, the Council has worked with the Financial Inclusion Centre on an options appraisal on access to affordable credit and finance for the Borough, enabled by Local Government Association funding. The purpose of this appraisal was to set out evidence of the need and demand for affordable credit and financial services in Barking &amp; Dagenham, looking in particular at subprime credit use, and use this insight to provide a suite of recommendations for what affordable finance provision could look like in the Borough.</p> <p>The options appraisal recommended that Barking &amp; Dagenham partner with a dynamic, forward-thinking Credit Union to extend their delivery into the Borough to provide a holistic community banking offer. This offers the simplest, quickest and most cost-effective route to offering a range of affordable financial products and services to the Borough, for residents and staff.</p> <p>It is envisioned that a minimum amount of investment necessary to do this is £300,000. This investment would go towards capacity building for getting the Credit Union up and running, building membership via a comprehensive communications and advertising campaign and towards innovating what products and services are available through the Credit Union. It is estimated this level of investment could:</p>	

- Reach 4,500 new members
- Generate £2.7 million cost savings for local households
- Generate £11.4 million wider social, health and wellbeing impact
- Generate £1.7 million financial benefit for the local economy

The contract is for an initial 3 years, with the option to extend the contract for up to 2 years.

This paper seeks Cabinet's agreement to procure a credit union to extend their operations into the Borough to help make the aspirations of a Community Banking offer a reality.

### **Recommendation(s)**

Cabinet is recommended to:

- (i) Agree to the procurement of a contract for a credit union to underpin a local Community Banking service, in accordance with the strategy set out in the report, with the aim of increasing access to more affordable credit, fairer financial services and supportive debt and money advice; and
- (ii) Delegate authority to the Director of Community Solutions, in consultation with the Acting Chief Executive and the Director of Law and Governance, to award the contract for the new Credit Union.

### **Reason(s)**

1. The scale of need – only to be exacerbated by the economic consequences of Covid – means doing nothing is not an option. It is estimated every year 6,000 households take out 20,000 high cost loans to the value of £9.4m, paying back £16.7m due to high interest. If nothing is done, worst case estimates suggest total value of high cost lending could increase to £21.4m with £37.8m repaid. Partnering with a credit union can divert households through more responsible and affordable channels and reduce further financial hardship for residents. Therefore, doing nothing is not an option as we must act to provide residents an alternative.
2. Maintaining and enhancing existing credit union provision – in the form of Liberty Credit Union (LCU) – is not a viable option to meet the depth of demand seen in the Borough. The scale of modernisation required means enhancing LCU does not represent the best value for money for the Council.
3. This option will help the Borough meet its key priorities. Money and debt is a key cross-cutting theme across all strategies, where our goal is to reduce levels of debt and associated money issues in our community through the adoption of an ethical and data driven approach to the collection, management and prevention of debt that ultimately builds greater financial resilience. Saving residents money through a Credit Union has the potential to improve collection rates and maximise our opportunities for prevention through a holistic suite of support and connections into the Community Solutions offer and into the wider community. This aligns with the Borough's Prevention, Independence and Resilience priorities.

4. This work also aligns to the Borough's Inclusive Growth priorities. This includes building institutions and alliances with organisations and individuals committed to the pursuit of inclusive growth. If a bold approach is taken and thousands of in-need residents are reached, a new Credit Union has the potential to be another 'anchor' institution that unleashes the potential of the Borough. Another pillar of our inclusive growth approach is to actively intervene in markets. This work represents an attempt to intervene in the subprime credit market to reduce its dominance and the adverse outcomes this market generates.

## 1. Introduction and Background

- 1.1 The Borough Manifesto sets out the Council's commitment to empowering people and growing the Borough inclusively, so everyone has the opportunity to live a healthy, safe and independent life. It identifies debt and financial insecurity as one of several complex challenges continuing to impact too many in Barking & Dagenham. A key strand of our Inclusive Growth Strategy relates to a cross-cutting theme around money, debt and poverty reduction. Increasing access to affordable credit and financial services aligns with and builds on a range of activity already underway relating to debt, prevention and strengthening financial resilience, contributing both to this wider agenda as well as to other linked initiatives.
- 1.2 In October 2019, LBBD was successful in partnering with the Local Government Association (LGA) on their Reshaping Financial Support Programme, aimed at sharing good practice and accelerating support to low-income households in financial difficulty. The programme also provides a range of consultancy support and £20,000 of dedicated funding to implement a preventative financial support scheme in each local area.
- 1.3 LBBD has used the grant funds to work with the Financial Inclusion Centre (delivery partner of the programme) to undertake an options appraisal exercise to help determine the most appropriate delivery of fair, affordable and appropriate financial products and services within the Borough.
- 1.4 This was identified as a priority area following a scoping session with a small group of Council officers, which explored local demands and gaps in provision. It built on the experience and learning taken from the Borough's participation in *BBC's 'The Fix'* that looked to address the issue of financial hardship and debt, especially linked to use of high interest loans and credit. *The Fix* identified the need for a fairer and more affordable alternative, and the scoping session confirmed the ambition to take this forward through the Reshaping Financial Support Programme.
- 1.5 The Options Appraisal was completed in September 2020, with the key headlines shared with a Community Solutions and Inclusive Growth stakeholder group. Key data was shared highlighting the depth of financial hardship in the Borough and landscape of subprime credit use:
  - 25% of residents are over-indebted
  - Residents have a low level of savings and little safety net compared to other areas

- 738 is the average credit score, placing the Borough 26<sup>th</sup> lowest out of 387 local authorities and categorising us as a credit desert
- 6000 households take out 20,000 high cost loans per year, totalling £21.4m with £16.7m repaid through high interest rates

- 1.6 This position is only likely to get worse due to Covid. This tells us Barking & Dagenham is a perfect storm of high need for credit, low credit scores excluding people from mainstream credit and an over-representation of unaffordable lending options. In short, the Borough's need for affordable credit massively outstrips its supply. Based on this evidence of need, the options appraisal sought to outline 4 options for action:
- 1.7 **Option 1: do nothing.** Barking & Dagenham could simply do nothing and increase promotion to existing channels. However, the scale of need evidence in the Borough (1.5) means this is not an option. Therefore, the Council must proactively intervene to stimulate more provision, shape the borrowing market and increase uptake of affordable options especially amongst the lowest income households.
- 1.8 **Option 2: continue using the existing Credit Union provision (Liberty Credit Union) and do not conduct a procurement exercise.** Research conducted during the original options appraisal exercise suggests that Liberty offers a traditional product range of basic savings and loan products with no other financial services or support attached. In addition, loans can only be provided to existing members who have saved with the credit union for an existing qualifying period of 3 months, which excluded those at the point of need. Liberty is also very reliant of face-to-face services in branch with limited digital infrastructure, meaning the offer is only available during working hours and not 24/7 digital delivery. Based on web-research there is limited options for accessing products such as loans online, applicants are advised to print off their application form and take it into the Barking branch. This process does not make it easy for the client to access the support that they need, when they need it. Therefore, enhancing existing provision has been rejected as it does not represent value for money in comparison to the preferred option.
- 1.9 **Option 3: B&D Money Portal.** The creation of an innovative credit brokering and integrated advice / support site that matches residents to appropriate products via multiple lenders and support services. It has been recommended that the Council's primary focus should be on option 4, however this option 3 should remain on the table for future consideration.
- 1.10 **Option 4: Bring a new credit union to the Borough as part of the development of a Community Banking offer (preferred option).** The preferred option is to bring an existing, strong, dynamic and forward-thinking Credit Union into the Borough. This best meets the vision of this programme, which is to ensure fair, affordable and appropriate financial products and services and available to every household, aiming to:
- Ensure nobody is held back because of their financial situation
  - Keep more money within residents' pockets and our local economy
  - Build financial resilience and confidence in the Borough
  - Ensure everyone can access support to meet their financial needs and aspirations
  - End the influence of high cost credit giants in the Borough

1.11 This would be achieved by identifying, selecting and working in direct partnership with a leading credit union to extend their geographical operations to cover Barking and Dagenham and implementing a comprehensive and holistic community banking services that reflects the needs of the local area. A Community Banking offer would mean residents and staff able to increase access to more affordable credit, fairer financial services/products and supportive money and debt information, advice and guidance.

## **2. Proposed Procurement Strategy**

### **2.1 Outline specification of the works, goods or services being procured**

2.1.1 The Council would be procuring a service by partnering with an existing, strong, dynamic and forward-thinking Credit Union who is already operating in other local authorities, in order to extend their geographical footprint to Barking & Dagenham. They would contribute to and underpin the foundations of a holistic and far-reaching community banking service that reflects and meets the needs of the local area. The incoming credit union would be one part of the provision necessary to deliver a Community Banking service. The credit union provision must be built on the ability to deliver digitally but have the ability to deliver from a physical location in the Borough if required - enabling full remote service delivery across the Borough but also opportunities for those who are digitally excluded. Therefore, selecting a suitable credit union that already has this infrastructure allows the Council and Credit Union to focus any resource investment and organisational effort on maximising awareness and uptake and establishing innovative partnership working and delivery.

### **2.2 Estimated Contract Value, including the value of any uplift or extension period**

2.2.1 In order to give sufficient time for the credit union to begin delivering and gain traction in the Borough, it is proposed £300,000 is invested. This is for a mixture of money for both internal LBBB use (for advertising, marketing and project management resource) and money directly awarded to the contracted credit union (for capacity building, advertising, marketing and product innovation).

2.2.2 Of the £300,000, current best estimates suggest that £190,000 will be awarded directly to the credit union for capacity building, to get the credit union up and running in the Borough and for advertising and promotion. That leaves £110,000 to be used internally by LBBB, for a dedicated project manager resource as well as dedicated internal advertising and communications.

2.2.3 The spending of this resource and any decisions attached to it will be the responsibility of the Community Banking Project Group which has recently been set up.

### **2.3 Duration of the contract, including any options for extension**

2.3.1 The contract is for 3 years with the option of extending for up to 2 years.

### **2.4 Is the contract subject to (a) the (EU) Public Contracts Regulations 2015 or (b) Concession Contracts Regulations 2016? If Yes to (a) and contract is for services, are the services for social, health, education or other services subject to the Light Touch Regime?**

2.4.1 Yes– because of the value of the contract being £190,000 the contract is subject to EU Procurement Procedures and as a result a competitive tendering process shall be undertaken under these guidelines.

### **2.5 Recommended procurement procedure and reasons for the recommendation**

2.5.1. The Council will run a procurement procedure according to Rule 32 in the Council's constitution, where a competitive tendering process will be undertaken.

2.5.2 The Council will issue a Prior Information Notice (PIN) to engage the market and to ask interested providers to get in contact for follow up market engagement sessions to be run, as outlined in 22.2 (a) in the Council's Constitution.

2.5.3 The procurement exercise will be an open EU tender, therefore any supplier may submit a tender in response to the notice. The tender will be advertised on the Council website as well as on OJEU, Bravo and Contracts Finder

2.5.4 The Council will issue a formal invitation to tender having received approval from Procurement Board and Cabinet given the total contract value is above £200,000 and this will be a Key Decision.

2.5.5 The procurement strategy report is on the forward plan for January Cabinet where approval will be sought to conduct this procurement exercise and delegate authority to the Director of Community Solutions in consultation with the Acting Chief Executive and Director of Law and Governance to take the final decision on new Credit Union partnership

### **2.6 The contract delivery methodology and documentation to be adopted**

2.6.1 The delivery methodology adopted is through a third-party provider.

2.6.2 Delivery of the service being procured will be predominantly virtual through already established digital infrastructure, unless an agreement is arranged whereby the credit union would be asked to deliver from a specific location in the Borough.

2.6.3 Bespoke Terms and Conditions will need to be adopted.

2.6.4 The contract is for 3 years with the option to extend for up to 2 years.

## **2.7 Outcomes, savings and efficiencies expected as a consequence of awarding the proposed contract**

- 2.7.1 Based on typical take-up and growth levels experienced with similar new credit union schemes, the research has forecast the key project outputs based upon the minimum investment level of £300,000. This identifies that over the 3 years (with the option to extend by 2 years), the new credit union service would attract 4,500 new members from across LBBD, with 3,300 of these opening and maintaining a savings account with £950,000 accumulated savings.
- 2.7.2 The total value of lending could equal £4,160,000 with an estimated £1,385,000 of this being delivered to low-income households diverted from subprime channels. This however is a conservative estimate and with a bolder and more proactive promotional and outreach strategy and collaborative partnership working numbers could be higher.
- 2.7.3 The socio-economic benefits for an individual of improving their financial resilience through increased access to affordable financial services are diverse and differ based on every individual's circumstances. This could be everything from reduced financial stress and improved health through to money saved from more affordable borrowing and having a bank account that works better for them, should they choose to take up that offer. This section therefore sets out the anticipated scale of household financial gains generated by the new credit union service and the estimated knock-on impact this could have on resident health and well-being as well as the local economy.
- 2.7.4 The overall financial gain for households is estimated to be £2.4 million, with each pound spent on the credit union generating a social return for the Borough of approximately £8.01. Over a 3 year period, this translates to an estimated average cost saving of £533 across all households - which rises to £1,601 cost savings for the most financially vulnerable households accessing the credit union services. This is calculated from social return on investment research undertaken by Circle Housing (2017) and Save the Children poverty premium report (2010) and then tailored to Barking & Dagenham based on the amount we are investing.
- 2.7.5 There is also a projected large uplift in well-being for these residents due to relief from being heavily burdened with debt, feeling more in control of their life and improved financial comfort. Using Wellbeing Valuation as the accepted and robust way of measuring social impact, estimates suggest a wellbeing impact of £11.4 million, meaning for every £1 spent on the credit union, an estimated £38.02 of social impact would be created.
- 2.7.6 There is limited available research estimating the local economic impact of improving access to affordable finance. The most applicable return on investment research is taken from work undertaken by Circle Housing that estimated the 'economic multiplier' of its Circle Housing Money work with Leeds Credit Union. Research from this work estimated that for every £1 investment, there was an additional £5.60 benefit to the economy. This translated into an economic multiplier of £1.7 million, as more money will be available to be spent in the local economy.

## 2.8 **Criteria against which the tenderers are to be selected and contract is to be awarded**

2.8.1 10% social value, 0% Price (we are not inviting providers to submit pricing) and 90% quality.

## 2.9 **How the procurement will address and implement the Council's Social Value policies**

2.9.1 Securing alternative credit union delivery in the Borough is intended to improve the lives of all the Borough's residents towards the organisation's vision of '*no one left behind*' in line with the aims and aspirations set out in the Borough Manifesto. Money and debt is a key cross-cutting theme across all strategies, where our goal is to reduce levels of debt and associated money issues in our community through the adoption of an ethical and data driven approach to the collection, management and prevention of debt that ultimately builds greater financial resilience. This helps achieve our health & wellbeing and employment & enterprise goals.

2.9.2 Barking & Dagenham should be a place where everyone is valued and has the opportunity to succeed, and a place where businesses and communities grow and thrive. This is part of the challenge that the Community Banking offer seeks to address. Exclusion from mainstream credit and use of high interest alternatives can too easily undermine financial independence and drive further poor outcomes, from fueling stress and anxiety, to diverting money from the local economy.

2.9.3 Having choice and presenting residents with the opportunity to reclaim control of their lives is the benchmark of how we aim to grow the Borough. The core community banking offer required of the prospective provider, will deliver benefit to the community in line with our Borough Manifesto goals:

- Keeping more pounds in people's pockets (employment and enterprise theme)
- Keeping more money in the local economy (employment and enterprise theme)
- Strengthening money management, creating financial resilience, and enabling independence (employment and enterprise theme)
- Enabling people to live less stressful lives from being less heavily burdened by debt and financial worry (health and wellbeing theme)

2.9.4 Bidders on all LBB contracts over £100,000 for goods, services and works are required to provide convincing Social Value offers in line with LBB's stated goals and priorities, as set out in the Social Value Framework above. We will encourage and ensure the selected partner helps the Borough achieve Manifesto goals beyond the outcomes to be delivered in the core Credit Union offer.

2.9.5 Opportunities will be leveraged for the new credit union partner to give back to the community in the form of social value, either in line with Social Value Toolkit suggestions, or other creative suggestions put forward. The Council will particularly welcome suggestions under key strands of the Social Value Framework:

1. **Investing in local people** i.e. helping us to tackle unemployment and low pay, creating good jobs and providing training, education, skill building and work experience opportunities for Borough residents and within key institutions such as schools



2. **Improving local participation and engagement:** involving citizens in service design and decisions, procuring from organizations with a social purpose and building the capacity of local civil society organisations i.e. mentoring or providing space or facilities.
3. **Improve local health and wellbeing:** help us tackle key local issues such as high levels of antisocial behaviour, domestic abuse and other issues that impact the resilience of our residents.

## 2.10 **Contract Management methodology to be adopted**

2.10.1 The contract will be managed within Community Solutions.

2.10.2 Sufficient contract monitoring methodology will be adopted, with performance targets worked up during co-productive conversation with the selected provider. These will be monitored on a regular basis, as decided between LBBB and the provider.

## 3. **Options Appraisal**

### 3.1 **Option 1: do nothing.**

3.1.1 This option has been rejected because of the scale of financial hardship and need for ethical alternatives to high cost credit. 738 is the average credit score of the Borough, placing Barking & Dagenham 26<sup>th</sup> lowest out of 387 local authorities and categorising us as a credit desert. In addition, 6000 households take out 20,000 high cost loans per year, totalling £21.4m with £16.7m repaid through high interest rates. This a high demand for credit but an overrepresentation of unaffordable lending options which exacerbate resident's financial vulnerability. Initial studies indicate that borrowing is only to be exacerbated by the economic consequences of Covid. Doing nothing is not an option, as we need to act to provide more affordable alternatives.

### 3.2 **Option 2: continue using the existing Credit Union provision (Liberty Credit Union) and do not conduct a procurement exercise**

3.2.1 Research conducted during the original options appraisal exercise suggests that Liberty offers a traditional product range of basic savings and loan products with no other financial services or support attached. In addition, loans can only be provided to existing members who have saved with the credit union for an existing qualifying period of 3 months, which excluded those at the point of need. Liberty is also very reliant of face-to-face services in branch with limited digital infrastructure, meaning the offer is only available during working hours and not 24/7 digital delivery. Based on web-research there is limited options for accessing products such as loans online, applicants are advised to print off their application form and take it into the Barking branch. This process does not make it easy for the client to access the support that they need, when they need it. Therefore, enhancing existing provision has been rejected as it does not represent value for money in comparison to the preferred option.

### **3.3 Option 3: B&D Money Portal**

3.3.1 This would involve the creation of an innovative credit brokering and integrated advice / support site that matches residents to appropriate products via multiple lenders and support services. It has been recommended that the Council's primary focus should be on option 4, however this option 3 should remain on the table for future consideration.

### **3.4 Option 4: Bring a new credit union to the Borough as part of the development of a Community Banking offer (preferred option)**

3.4.1 Bring a new credit union to the Borough as part of the development of a Community Banking offer. This was the preferred option emerging from the Affordable Credit Options Appraisal, as the most cost-effective and impactful way that the local authority could increase access to more affordable credit and fairer financial services and increase the reach of affordable credit provision quickly. This has been agreed at Corporate Strategy Group on 15th October 2020.

3.5 For a full appraisal and overview of the options considered and discarded, please see Appendix 1.

## **4. Waiver**

4.1 Not applicable for this report.

## **5. Consultation**

5.1 The proposal outlined in this report – to procure a credit union to inform the development of a Community Banking offer has been considered and shaped in the following forums:

- Corporate Strategy Group – 15<sup>th</sup> October 2020
- Inclusive Growth CPG Working Group – 12<sup>th</sup> November 2020
- Inclusive Growth Member Group – 18<sup>th</sup> November 2020
- Portfolio of Cabinet Member for Finance, Performance and Core Services – 27<sup>th</sup> October 2020
- Portfolio of Cabinet Member for Community Engagement and Leadership – 3<sup>rd</sup> November 2020
- Portfolio of Cabinet Member for Employment, Skills and Aspiration – 27<sup>th</sup> October 2020
- Community Solutions Strategy Board – 21<sup>st</sup> September 2020 and 2<sup>nd</sup> December 2020
- Procurement Board – 14<sup>th</sup> December 2020

## **6. Corporate Procurement**

Implications completed by Sam Woolvett, Corporate Procurement

6.1 This strategy adheres to the Council's Contracts Rules, in that a full open procurement will take place.

- 6.2 Corporate Procurement will work with and support the Department in carrying out the end to end procurement exercise.

## **7. Financial Implications**

Implications completed by: Bernard Ofori-Atta, Finance Business Partner.

- 7.1 The benefits of a robust credit union within a community has been demonstrated. The £300,000 proposed investment is because existing service is not a future viable option. The procurement will enable LBBB to shape service provision and improve outcomes for residents and staff. Subject to robust procurement, governance and contract management arrangements, the potential outcomes can be realised, and any risk to investment mitigated against. As this investment relates to a key part of the financial inclusion landscape, there may also be a positive impact on demand as well as an enhanced integrated approach. The £190,000 contribution would enable LBBB to leverage the partnership to achieve the Council's social objectives. The £110,000 will enable implementation and maintenance of a robust contract management and governance framework to ensure the investment generates significant social and corporate benefits. From an Internal Control, Value for Money, and Finance point of view the investment is justified.

## **8. Legal Implications**

Implications completed by: Ian Chisnell, Major Projects Solicitor, Law & Governance

- 8.1 The Council has power to tender for a Credit Union provider under s1 of the Localism Act 2011 although it does not have power under that Act to provide banking services and that is not being proposed in this report.
- 8.2 The tender is to be under the Open procedure set out in the Public Contracts Regulations 2015 (as amended) and will thus comply with those regulations and the Council's Contract Rules under the Constitution.
- 8.3 Credit unions are member-run organizations where members pool their savings so they can lend to one another. They are essentially financial cooperatives where the members own the organisation. The Council would not be able to become a member as it is not an individual.
- 8.4 The members of a credit union have something in common, such as working for the same company, living in the same area or belonging to a certain church or trade union. This is called having a 'common bond'. Credit Unions often have multiple common bonds.
- 8.5 They are Regulated by the Financial Conduct Authority and the Prudential Regulation Authority and have to register with those organisations.
- 8.6 Any money invested is protected by the Financial Services Compensation Scheme
- ## **9. Other Implications**
- 9.1 **Risk and Risk Management** – The project group have engaged early with LBBB's insurance manager to introduce the work and identify any corporate risk or

insurance implications. Initial insight suggests this will be minimal. Information has been provided to address early questions and conversation will be ongoing.

There are few risks involved with this procurement process. The risks that have been identified have mitigating actions attached.

There is the risk that no credit unions engage in the procurement exercise and no contract is awarded as a result. However, it has already been established that leading credit unions would be interested in expanding their operations to Barking & Dagenham and in addition, the publishing of a PIN will identify early whether there is interest within the market.

A credit union's expansion to Barking and Dagenham must also be formally ratified at their side and in line with their procedures. This is normally at an Annual General Meeting, which occurs around March time. Therefore there is a risk that project timetable slips and their AGM window for formal ratification has been missed. However, this can be mitigated by calling a Special General Meeting to perform the same function.

9.2 **TUPE, other staffing and trade union implications** - a Community Banking offer also includes an effective payroll deduction facility to encourage staff saving. Although the Borough already has a payroll deduction option with the existing credit union, the new credit union would also have such an offer which would sit alongside the existing one. Credit unions with leading payroll deduction facilities (i.e. Leeds Credit Union) have over 30% of their workforce regularly saving. There are numerous studies from the Money and Pension Service that shows the financial, health and organizational benefits of payroll deduction. Paper will be going to Workforce Board and all other relevant governance forums to ensure this is implemented effectively.

9.3 **Corporate Policy and Equality Impact** – An equality impact assessment (appendix 2) has been completed. The purpose of this procurement is to address a depth of financial hardship felt by too many in Barking and Dagenham. We aim to increase access to affordable credit and finance while ending the influence of high cost giants (such as Bright House), who trap low-income households in a poverty premium with no choice but to access high-interest credit and the bite sized weekly installments offered in order to stay financially afloat.

The use and extensive influence of subprime credit galvanizes and scars the Borough with inequality, as many struggling financially in the first instance are further undermined by high interest rate, while those able to access mainstream credit continue to do so with little financial penalty.

The Borough is expected to grow considerably over the coming years, with significant change in terms of jobs and homes anticipated. With this growth comes a significant yet achievable challenge. The Borough Manifesto pledges to ensure *“our growth and regeneration is truly inclusive; that no one is left behind. Only if our whole mixed and diverse community feels the real benefits of regeneration will we have succeeded”*. This means that inequality should be reduced. Instead *“we want our residents to have aspirations, to flourish as individuals and families, to choose to stay in the Borough and be able to afford to do that”*.

The establishment of a new credit union in the Borough is a response to this vision and an attempt to grow the Borough more inclusively, by putting stronger credit and financial services infrastructure in place for all who may need it.

This work is intended to have an amplified impact on those worst off. For example, this work aims to put more pounds in people's pockets. This is predicted to be an average cost saving of £533 across all households - which rises to £1,601 cost savings for the most financially vulnerable households accessing the credit union services.

The credit union should not adversely impact any particular cohort of the Borough's population or discriminate unfairly against anyone according to the protected characteristics of the Equality Act (2010). Instead, the suite of products and services will be locally tailored and bespoke, particularly point at the most vulnerable households and those who need support the most. Despite this, the credit union will be universally accessible with anyone in theory able to engage its services.

There will, however, be eligibility criteria for certain loans and products – in line with standard borrowing procedure. The credit union will be well aligned with Community Solutions and wider community support, with a clear and coherent pathway for declined applicants who for whatever reason are able to use the desired credit union services but still require some level of support. This will ensure no one falls through the cracks.

**9.4 Safeguarding Adults and Children** – The benefits of a Community Banking offer are far reaching. There are many financial products and services that seek to target certain vulnerable groups, to improve their wellbeing and quality of life.

For example, it is possible to create a system where a bank account is automatically opened with the credit union for certain vulnerable cohorts and an initial small deposit made in-kind, from which savings can grow. This has been done elsewhere for children entering certain Key Stages and delivered alongside wraparound financial education for those of school age and seeks the involvement of parents to bring them into the fold of the credit union. This recognises early financial education and literacy is pivotal to building financial resilience towards adulthood.

A further related example is the option to automatically open bank accounts for Care Leavers at a specified point on their journey to independence with an initial in-kind deposit made and from which savings can grow. This could be integrated with the package of support provided to Care Leavers as they transition to independence, building their financial resilience and putting the foundations in place for being able to manage their money effectively.

There will be widespread engagement across the Council to determine the most appropriate and impactful financial products and services to be utilised in a Community Banking offer for Barking and Dagenham, to improve the wellbeing of our children and adults and towards boosting their financial resilience and independence.

9.5 **Health Issues** - Wellbeing Valuation has been accepted as a robust and rigorous method of measuring social impact. This approach allows organisations to measure the success of social interventions by analysing how much they increase people's wellbeing. To do this, the results of large national surveys are analysed to isolate the impact of a particular factor on a person's wellbeing.

Using this methodology alongside other examples from across the Credit Union sectors estimates that over the initial three-year period the new credit union service would deliver an overall social impact of £11,406,787 for those residents who are on the lowest-incomes and financially excluded.

This value represents the uplift in well-being for these residents due to their relief from being heavily burdened with debt, feeling in control of their life and improved financial comfort. Essentially, if the credit union service was not implemented each resident would need to receive £7,605 to generate a similar increase in their wellbeing. Taking the minimum proposed project budget of £300,000 into account, for every £1 spent on the credit union service, an estimated £38.02 of social impact would therefore be created.

This highlights the critical link between money and wellbeing. Through the financial gains felt by households generated through a Community Banking offer – saving more and using less high-cost credit, amongst other benefits – there would be an associated uplift in wellbeing through reduced stress from being less heavily burdened with debt or financial insecurity.

**Public Background Papers Used in the Preparation of the Report:** None.

**List of appendices:**

- Appendix 1 – LBBD Affordable Credit Options Research
- Appendix 2 – Equality Impact Assessment