

NORTHUMBERLAND

Northumberland County Council

CORPORATE SERVICES & ECONOMIC GROWTH OVERVIEW & SCRUTINY COMMITTEE

25 January 2018

Potential Grant to Northumberland Community Bank

Report of Alison Elsdon, Director of Finance

Cabinet Member: Councillor Nicholas Oliver – Cabinet Secretary and Portfolio Holder for Corporate Services

Purpose of Report

The report provides details of a potential grant to Northumberland Community Bank of £50,000 towards the capital reserve.

The purpose of this report is to request that the Corporate Services and Economic Growth Overview and Scrutiny Committee support the recommendation to the Cabinet for the proposed provision of a grant of £50,000 to Northumberland Community Bank.

CABINET

13 February 2018

Potential Grant to Northumberland Community Bank

Report of Alison Elsdon, Director of Finance

Cabinet Member: Councillor Nicholas Oliver – Cabinet Secretary and Portfolio Holder for Corporate Services

Purpose of Report

The report provides details of a potential grant to Northumberland Community Bank (NCB) of £50,000 towards the capital reserve.

Recommendation

It is recommended that Cabinet approve the following:

- A grant of £50,000 to NCB subject to a signed grant agreement being received.

Only once this condition has been met can the grant be drawn down.

Key Issues

1. The Council had originally been approached by NCB for a loan facility of £50,000.
2. The loan request was considered by the Risk Appraisal Panel on 7 December 2017. Members recommended that the loan request be changed to a grant to support NCB's level of capital reserves.

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Link to Corporate Plan

The proposal has very strong linkages with the Council's Places and Environment priority, "to maintain and further improve the quality of our towns, villages and countryside, and make it easier for residents to access services and high quality, affordable homes and to travel using different modes of transport."

In addition the proposal has strong links with the Council's Health and Well Being priority, "to ensure that everyone has the opportunity to lead healthy, independent lives for as long as possible and to safeguard our most vulnerable residents in a way that maintains their dignity and confidence."

Background

Northumberland faces significant financial inclusion challenges that have a disproportionate impact on our most vulnerable and disadvantaged communities.

Recent and current social inclusion projects indicate that there are areas of acute need in the most deprived wards. For example, a project researching support needs amongst the cohort of welfare benefits claimants that would be moving across to Universal Credit indicated that 75% of study participants had medium or high financial inclusion support needs, which in the main focused around support to budget, access to affordable credit products and access to basic bank accounts, with a heavy reliance on very high cost credit from organisations like Wonga and Brighthouse.

Evidence from current projects supporting those furthest from the labour market reinforce these findings, suggesting that financial issues are a considerable impediment in seeking employment or accessing training. From work with NETs (Northumberland Emergency and Transition Support, the Council's Crisis Welfare Support Scheme) there is a prevalence of both legal (the Provident) and illegal (loan sharks) debt management reliance in some of the county's most deprived wards.

Individuals facing these straitened circumstances are far from the core clientele of the major high street banks, so organisations such as community banks and credit unions offer a vital alternative to high cost loans and illegal lenders.

Northumberland Community Bank (NCB) was formed by the merger of existing entities, Tynedale Community Bank (TCB) and The Credit Union for South East Northumberland (CUSEN) in April 2017. It was formed by utilising TCB's strong governance and management expertise; and, CUSEN's existing status and knowledge, which allowed shortcuts to many of the time consuming and expensive processes that new banks have to go through. In the fullness of time the joint bank is expected to grow to cover the whole of Northumberland.

The new NCB will develop the IT systems and management processes to maximise efficiency and to ensure compliance with all appropriate regulations. The challenge will be to build savings and loans rapidly whilst re-engineering the business. The end result will be a self-sustaining Community Bank for Northumberland.

Financial Support

Key Issues

1. The Council has been approached for a loan facility of £50,000 from NCB.
2. The loan request was considered by Risk Appraisal Panel on 7 December 2017. Members recommended that loan request be changed to a grant to support NCB's capital reserves.

It is recommended that a grant of £50,000 is offered to NCB subject to a signed grant agreement being received from NCB.

State Aid

The offer of a grant to NCB would constitute state aid. However, this grant offer would not breach the total state aid limit of €200,000, and it is therefore classed as De Minimus under state aid rules.

IMPLICATIONS

Policy	None
Finance and value for money	The grant will be funded from existing revenue resources.
Legal	The proposal is subject to a signed grant agreement.
Procurement	None
Human Resources	None
Property	None
Equalities (Impact Assessment attached) Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input checked="" type="checkbox"/>	The grant will allow NCB to provide access to affordable finance.
Risk Assessment	None
Carbon reduction	None
Crime & Disorder	None
Customer Considerations	None
Consultation	Leader of the Council, Risk Appraisal Panel
Wards	All

Report sign off.

Authors must ensure that relevant officers and members have agreed the content of the report:

	Name
Finance Officer	Andy Stewart
Monitoring Officer/Legal	Liam Henry
Human Resources	n/a
Procurement	n/a
I.T.	n/a
Chief Executive	Daljit Lally
Portfolio Holder(s)	Nick Oliver

Author and Contact Details

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