

Report to: Leader and Lead Member for Strategic Management and Economic Development

Date of meeting: 20 June 2023

By: Chief Executive

Title: Wave Community Bank (trading name for East Sussex Credit Union) request for an extension to their subordinated loan.

Purpose: To consider extending a subordinated loan of £150,000 to Wave Community Bank, for a further ten years

RECOMMENDATIONS:

The Leader and Lead Member for Strategic Management and Economic Development is recommended to extend the existing £150,000 subordinated loan to Wave Community Bank (trading name for East Sussex Credit Union) for a further ten years

1 Background

1.1 Wave Community Bank (WCB) (the new trading name for the East Sussex Credit Union) has asked East Sussex County Council (ESCC) for a ten year extension to the £150,000 subordinated loan provided to them in September 2018. The existing ESCC loan is due to expire in September 2023, at which point it becomes repayable to us. It should be noted that there would be no additional funding provided to WCB – the request made is for an extension to the existing loan amount only.

1.2 The Leader and Lead Member for Strategic Management and Economic Development agreed on 23 January 2018 to provide £150,000 from Council reserves to East Sussex Credit Union (ESCU) in the form of a repayable, interest free, subordinated loan to enable it to assist more residents in the county facing hardship to deal with immediate financial issues and build up savings to manage future economic challenges. Investing in ESCU contributes to ESCC achieving its overarching priority of helping people help themselves.

1.3 In April 2016, ESCU received a subordinated loan of £250,000 from Brighton and Hove City Council (BHCC). This was due to expire in March 2026. On 16 March 2023 the Policy and Resources Committee of BHCC agreed to extend their loan for ten years, to March 2036.

2 Supporting Information

2.1 WCB is a not-for-profit financial co-operative serving East Sussex, Brighton and Hove and more recently Kent and Medway with simple savings, affordable loans and other financial support services. It has over 9,000 members (2,340 in East Sussex). The purpose of the loan provided is to provide additional capital for WCB to increase the amount of affordable and accessible loans that can be offered to people facing financial vulnerability.

2.2 The loan has enabled WCB to provide greater levels of safe, affordable and accessible financial products to some of the county's most financially excluded residents. In addition, the loan supports WCB to provide:

- Help points for residents in Lewes (Landport Tenants Centre), Newhaven (Havens Community Hub) and Eastbourne (Seaside Community Hub)
- Money Management group sessions and 1-2-1 budgeting help at Seaside Community Hub
- Financial wellbeing webinars open to all members on improving credit scores, tackling debt and surviving the cost of living crisis
- Support for members to create savings goals, alongside incentives for savings including a monthly prize draw
- Support for community groups, with 62 accounts (18 in East Sussex) held by community groups, charities, clubs and other organisations
- Expanding Chorus (its Workplace Savings Scheme) with East Sussex Healthcare NHS Trust and Wealden District Council recently signing up to the scheme
- Information and guidance to ESCC employees through our partnership with WCB on our Wellbeing at Work programme

2.3 The work of the credit union fits firmly with our financial inclusion agenda and with the work of the multi-agency Financial Inclusion Steering Group. It has been increasingly vital during the cost of living crisis which is impacting most significantly on some of the most vulnerable people in the county.

2.4 WCB is regulated and authorised by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA) and savings are 100% guaranteed by the Financial Services Compensation Scheme.

2.5 A subordinated loan is lent for a minimum of 5 years and one day. It is important to note that the loan comes with a risk as the loan debt is subordinated to the interest of the members of the credit union. If WCB were to go into liquidation, repayment of the debt would be made only after the repayment of members' shares.

2.6 In addition the loan to WCB is interest free, therefore ESCC is foregoing investment income that it could otherwise receive during the period of the loan. This will amount to an estimated loss of approximately £6,000 per annum, which is minimal and can be absorbed into the Treasury Management budget.

2.7 Local authorities invest in credit unions in this way because, although foregoing a small return, they invest for a wider social return.

2.8 If the Leader and Lead Member agrees to the loan extension, ESCC Legal Services would take forward the formal extension to the loan agreement taking it through to September 2033.

2.9 Extending the loan by ten years will align our support with that of BHCC and will put a local reputable financial institution on a more sustainable footing to enable continued support to those facing financial exclusion.

3 Conclusion and reasons for recommendations

3.1 The Leader and Lead Member is asked to agree the proposal to extend the £150,000 subordinated loan to Wave Community Bank for a further ten years, for the reasons set out in paragraphs 2.2 and 2.3.

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Chief Executive

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BACKGROUND DOCUMENTS
None