



South Tyneside's CAB and Credit Union working in partnership

An extract from "Enterprise in Disadvantaged Communities", a research report into a Neighbourhood Renewal Fund Project in South Tyneside.

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South Tyneside Citizens Advice Bureau and the South Tyneside Credit Union have informally collaborated with one another for a number of years. But it took the NRF project to stimulate a closer formal working relationship that has now resulted in a strategic partnership aimed at promoting financial inclusion in the Borough.

STCAB and STCU attribute the success of the partnership to the development of a common purpose and recognition that together they can offer a more effective service for people facing overindebtedness and financial exclusion. Their holistic approach is based on the co-ordination of a range of services that include: money advice, debt counselling, financial education, and ongoing financial support through access to savings accounts and affordable credit from STCU. In the near future, it is intended that money management and budgeting accounts will also be available. "We recognise", says Ian Thompson, STCAB's general manager, "that together we can offer more options to clients to resolve financial problems than could be offered by one agency alone. We have the will to improve on service delivery together".

1. Co-ordinating service delivery

Over the period of the NRF project, STCAB and STCU developed a co-ordinated approach to delivering a financial support service to low income consumers based on the following elements:-

- **Reciprocal promotion**, CAB and credit union services are now prominently displayed in respective offices and collection points of each partner. Leaflets and posters inform clients and members of the services of both organisations. STCAB and STCU front line staff and volunteers are informed about the respective services and are able to communicate information to clients/members.

Proactive referrals. Both organisations have a policy of proactively referring relevant people to each organisation. "During debt and financial awareness discussions with clients", explained a CAB adviser, "we identify clients that may benefit from the Credit Union's services. We contact the Credit Union on behalf of the client, as an introduction and arrange an appointment – we make an active referral rather than act as a signpost". CAB workers confirmed that they had no ethical problems in referring clients to one particular financial services provider on the grounds that they believed that the Credit Union enabled their clients to progress along the road to financial stability. The CAB adviser encourages relevant clients to open savings and budget accounts as a longer-term preventative measure aimed at supporting clients to manage their money better. Equally, the Credit Union regularly refers members with debt problems to the CAB for specialist money and debt advice. Both organisations agree that the rise in the number of referrals is due to a greater mutual understanding of the role and services provided by each organisation. Over the period of the project, statistics on the number and nature of referrals were not regularly and consistently kept. Keeping statistical records is clearly a challenge for the future.

- **Money advice.** Credit union workers have undertaken CAB generalist adviser training and the Credit Union is currently negotiating the purchase of the welfare benefit software, '*Lisson Grove Quick Benefit Programme*', to aid staff to advise on income maximisation and help a client to claim their full entitlement to benefits. The credit union will, in all cases, refer to the CAB for more complex money advice queries. There are currently plans to run regular CAB advice sessions in the Credit Union office in the near future.
- **Debt Counselling.** Currently it is the Credit Union's policy that anyone applying for a MAST¹ loan must see a CAB debt advice worker who explores the financial situation of the applicant and where necessary negotiates an arrangement with their creditors. With the support of funding from the DTI's Financial Inclusion Fund, STCAB plans to have a dedicated CAB adviser based in the Credit Union's office.
- **Financial Education.** Under the new NRF arrangements, two CAB financial awareness officers will work two half days in the Credit Union and offer financial literacy training linked to the development of budget accounts. The financial awareness officers will give information, advice and education not necessarily linked to the solving of urgent debt problems. Their aim is to help people understand financial services and make informed financial decisions.
- **Appointments.** The credit union has now begun to make appointments for credit union members to see CAB advisers from the Credit Union's office. It is installing a new IT system which will give the Credit Union access to the CAB appointment system. Two CAB financial awareness officers will also make CAB appointments
- **Ongoing support.** The credit union offers ongoing support to new members and regularly follows up on progress through personal and telephone contact. The credit union's debt recovery systems monitor progress on accounts and repayments and help to encourage disciplined repayments.
- **Money management and budget accounts.** Under the new NRF arrangements, budget and bill paying accounts will be offered through the Credit Union. Financial Awareness Officers will complete budget details for the Credit Union and recommend whether clients can afford to pay back loans from MAST or a loan made through the DWP Growth Fund.
- **Savings accounts.** CAB advisers recommend clients to save in the Credit Union. Saving is prioritised as a key credit union objective. 71% of beneficiaries of the NRF high cost loan replacement project became regular savers in the Credit Union.
- **Affordable credit.** The success of the NRF high cost loan replacement project proved, both to the CAB and the Credit Union, that, when offered an affordable credit option together with the support needed to access that

¹ Money Answers South Tyneside Ltd is an independent community development finance institution established alongside the Credit Union and managed by credit union staff through the Credit Union offices. It was established as an independent entity in order to receive charitable donor funds and to serve higher risk low income loan applicants who need not necessarily be credit union members. MAST charges higher interest rates than the Credit Union. However, MAST does encourage credit union membership as a pathway to financial inclusion. As credit union legislation and regulation develops, MAST may eventually be integrated into the structure of the Credit Union.

option, people are able to make the substantial transition from dependence on high cost credit providers to greater financial stability. MAST was designed to reach out to the most vulnerable and high risk clients and aims to direct people to standard credit union membership.

2. Governance

The STCAB and STCU partnership is managed and led by staff but depends ultimately on the support of the respective boards of management. Board support for the partnership as a strategic opportunity is seen as central to its success.

To this end, and as a result of the NRF project, two credit union volunteers sit on the CAB trustee board. In addition, one credit union board member, a TEDCO staff member, was seconded to the CAB by TEDCO. This role included becoming a fully trained generalist adviser and since the end of the project in March 2006 the worker has continued in this role as a volunteer. This inter-relationship at board level helps to develop mutual understanding and a shared purpose. *“Presence on the board is valuable”*, stressed one CAB employee, *“I was aware at the ABCUL AGM that there is some mutual suspicion between the two organisations and involvement at board level helps to address this”*.

Developing the commitment of all board members was not, as one credit union noted, always easy and not all initially appreciated the rationale and purpose of the partnership. For some it was difficult to see the strategic value of the relationship. For some credit union board members, the relationship even threatened to compromise the independence of the Credit Union as a financial co-operative. However, with the generation of tangible positive outputs, board members increasingly saw the benefits of the partnership and were positive about committing additional staff to develop the partnership.

3. Managing the partnership

STCAB and STCU staff are clear that the partnership has to be managed and not left as an ad hoc arrangement. Responsibility is taken directly at senior management level in the two organisations and the partnership is seen as a key element of operational practice. Staff members are identified in each organisation to lead on particular aspects of partnership arrangements and are accountable to partnership sub-committees.

Undoubtedly, the partnership has been able to flourish partly due to the strength of individual personal relationships. Within both organisations, there are leaders who are committed to the partnership and who are able to energetically communicate its importance to staff and volunteers. Without this charismatic and dynamic leadership, the partnership would certainly be much less well developed.

Through interviews and a survey of staff members, the following points were identified as having been essential to developing the partnership between the CAB and the Credit Union:

- **On-going development.** The partnership was able to develop because both organisations were committed to collaborative project working. Targets and goals were set that each organisation adopted in their individual action plans.
- **Mutual understanding.** Staff and volunteers were willing to learn about the other organisation, understand its business and to appreciate each others philosophies, practices and methodologies

- **Trust.** Each organisation was able to develop a basic trust in the other. Participation in the NRF anti-poverty steering group facilitated and deepened this sense of trust.
- **No duplication.** Each service saw the other as complimentary to its own and areas of competence and expertise were clearly delineated. Financial and debt advice was seen as a CAB responsibility whilst credit administration was seen as a credit union competence. Even though the CAB directs people to the Credit Union, it has no role in the loan granting process, which is managed entirely by credit union and MAST staff. Credit union staff do not attempt to tackle complex debt problems, rather refer members to CAB. The reason for credit union workers to undertake CAB training was not to replicate CAB services but to ensure that the Credit Union understood the nature debt and the importance of referring appropriate cases for CAB debt advice. There was no attempt to overlap services.
- **Absence of competition and ego.** This characterised the players in the partnership but was seen by all as fundamental to developing a positive relationship.
- **Client/member orientation.** Both organisations were clear that the sole purpose of the partnership was to enable an improved service to members and clients. It was this customer focus that facilitated a willingness to make referrals.
- **Commitment to quality.** The partnership was seen as enhancing the range and quality of service offered by each organisation. Each organisation offered what the other could not. Also being perceived as working in partnership strengthened both organisations in the eyes of the public. If a person developed a relationship with one organisation and got referred to another, they were more likely to trust that referral. Both organisations provide a personalised service that clients often feel is lacking elsewhere.
- **Shared strategic understanding.** Thinking strategically as to how services could be co-ordinated, developed and promoted was key to partnership success. The partnership has changed over the period of the NRF project and is now more focused with a clearer sense of direction. The current NRF project is a direct outcome of the first.
- **Understanding funding imperatives.** Each organisation understood each other's financial realities. This enabled co-operation rather than competition in identifying and seeking external funding and working together on new funding bids.

4. Staff induction and training

As part of staff and volunteer induction, the partnership is presented and explained in both organisations. Further, it features as part of ongoing staff and volunteer training sessions. Workers and volunteers at CAB are kept advised of issues through staff meetings and credit union volunteers at volunteer training days. Senior staff members from one organisation have spoken at the other's planning and training days.

Two credit union staff undertook the CAB adviser course in order to ensure credit union practice and procedures harmonised with those of the CAB. It was noticed that referrals increased significantly as a result of credit union staff undertaking CAB training.

5. Facing difficult issues

In the staff survey, the partnership was seen as both positive and effective. However, it has not been without its difficulties. Some workers and volunteers, for example, do not always fully appreciate the value of the relationship or find it difficult to operate in another organisational culture. There are also strains on organisational capacity. However, these difficulties have been managed and addressed in partnership meetings.

Particular difficult issues that have surfaced in regard to the relationship have included the following:-

- The issue of referral capacity is a constant issue for the CAB and money advice agencies in general. Given the rise of overindebtedness in society, the demand for services is increasingly high. Ensuring the ability to respond efficiently to an increasing demand from the Credit Union can be difficult to manage. It is anticipated that the introduction of funding from the Financial Inclusion Fund will help to increase the CAB capacity to meet demand.
- Among credit union volunteers, there was some evidence that there was misunderstanding as to how the partnership worked and, in particular, as to how the Credit Union participates in an anti-poverty strategy. The focus on anti-poverty, and the link with the CAB, could be seen as reaffirming some people's perceptions of the Credit Union as a 'poor person's bank'. Understandably this perception concerned some credit union volunteers. The challenge for the Credit Union is to focus on tackling financial exclusion whilst, at the same time, ensuring the Credit Union serves a wide and diverse membership in South Tyneside. This impacts on both the strategic and marketing strategies of the Credit Union.
- Tensions can arise from the fact that credit union loans are not regarded by the Courts as priority debts. Credit unions can experience some frustration that "*the CAB doesn't treat Credit Union debts as priority*". This is a particularly acute difficulty if the defaulter had been referred to the Credit Union by the CAB in the first place. However, currently, the CAB has no option but to treat credit union loans as non-priority debts and, in cases of default, cannot be seen to prefer one creditor over another. As one CAB worker noted, "*credit union loans are not viewed by the court as priority and the Credit Union should understand this when granting loans and ensure that they have robust approval procedures*". This statement seems to imply that the CAB does not expect the Credit Union to grant a loan to every referred client. This in itself is recognition that granting another loan is not always the best response for a person already experiencing difficulty meeting their financial commitments for multiple debts. Two proposals to address this problem have emerged through the partnership:-
 - The CAB makes it clear to referred clients that, if granted a loan, it is their responsibility to make repayment. In cases of default on the Credit Union loan and engagement with the services of the CAB once again, the client will need to demonstrate that it was an inability to repay through a new financial hardship situation, rather than lack of willingness to keep up payments.

- ABCUL and Citizens Advice could jointly campaign to make credit union loans priority debts on the grounds that the Credit Union is often a lender of last resort. In addition, people becoming bankrupt face even greater financial exclusion and need to preserve their access to financial services through the Credit Union.

6. Strategic planning

Central to the development of the partnership is an approach to service delivery that is based on strategic planning. Both STCAB and STCU have been able to think through the direction and scope of the partnership over the longer term and generate a shared vision and mission of working together. *“We now have a strategic approach to resolving financial exclusion”,* notes the CAB manager, *“we have a greater understanding of how we can compliment each others services by jointly offering the best option for the client”.*

In interviews and the survey, key elements of the current strategic plan included:

- **Building awareness.** STCAB and STCU staff and volunteers were clear that the partnership, as supported through the NRF projects has increased the status and profile of both organisations locally and within the local authority. Credit union members who would not normally consider using the CAB have done so and, equally, credit union membership has grown through CAB referrals. Both organisations are now planning joint awareness raising campaigns and agreement has been reached to publish a Financial Awareness booklet for every household in NRF wards in the Borough. This will include information on both organisations and the services they respectively offer.
- **Marketing.** Related to awareness raising is the development of a joint marketing strategy. *“We have much more in common than many people realise”* explained one worker, *“members and clients come from all walks of life and increasingly do so, but traditionally they are from lower income groups. Some people are easier to access through the CAB connection and others through the Credit Union. By having joint marketing we can get a double hit”*,

With the support of the Barclays Inclusion Fund, both organisations are initiating a joint marketing campaign. This will focus on the dissemination of shared working though increased outreach and publicity. Coordinated publicity materials for each organisation will be distributed conjointly.

- **Outreach.** Joint credit union and CAB outreach sessions are scheduled to begin in May 06.
- **Tandem development.** The partnership depends on constant communication as the aim is to develop both organisations at a similar pace. Strategic and action plans are co-ordinated between the organisations.
- **Policies, procedures and protocols.** Both the Credit Union and the CAB are committed to developing written policies and procedures that will formalise the partnership. A service level agreement, for example, is currently being worked upon. Already it is written in the MAST procedures that no one can receive a loan without first seeing a CAB adviser for an income and expenditure review,
- **Longer term solutions.** Both organisations are looking at longer term solutions to tackling financial exclusion over and above solving immediate

debt problems through advice and the provision of low cost loans. Longer term solutions are seen to include preventative measures such as a greater focus on asset building (savings) and developing financial awareness through financial capability programmes. It is recommended that the Credit Union also consider benefit plus accounts and the development of financial transaction services through involvement with the current ABCUL banking project which aims to bring current accounts to credit union members.

- **Financial planning.** Funding has already been assured which would have been much more difficult to obtain had the relationship not already existed. This includes new NRF funding, the CAB DTI Financial Inclusion Fund face-to-face debt advice project, MAST funding and the Credit Union's funding from the DWP's Growth Fund. This amounts to over £2 million of additional capital and revenue funding to come into the borough based, at least in part, on the experience of the project. The strategic goal is to promote further co-operation in seeking out further financial support through developing joint funding applications to appropriate funders.

7. A developing relationship

The CAB/STCU partnership is one of the most positive outcomes of the NRF project. It has built sound relationships between the two organisations and contributed to a mutual understanding of services offered. The result has been a much improved and co-ordinated service to clients, members and beneficiaries.

Both organisations are committed to the ongoing relationship, which is now reflected in the continuation of the NRF, as well as in the new substantial funding attracted from the DTI and DWP administration of the Financial Inclusion Fund. Through the survey, CAB and STCU staff identified that they would like the partnership to develop further through the sharing of high street premises; the continued development the direct appointment system through which each agency has access to the others systems and is able to make appointments and the promotion of a greater awareness of services on offer through the partnership.

Enterprise in Disadvantaged Communities

Enterprise in Disadvantaged Communities (EDC) was a multi-activity Neighbourhood Renewal Fund project designed to address poverty and disadvantage in South Tyneside. It was organised and delivered by an anti-poverty partnership consisting of the Tyneside Economic Development Company Ltd. (TEDCO), South Tyneside Credit Union (STCU), South Tyneside MBC, South Tyneside Resource for Initiating Development of the Economy (STRIDE) and South Tyneside Citizens Advice Bureau (STCAB). The project ran from April 2004 to March 2006

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