

## **CHESTERFIELD AND NORTH EAST DERBYSHIRE CREDIT UNION**

### **REPORT ON BUSINESS PLAN 2018 – 2021**

#### **INTRODUCTION**

As part of good corporate governance and the need to comply with the regulator (Financial Conduct Authority – FCA) the board of the Credit Union prepare and approve a three year plan each autumn. The plan shows continued support for members through loans and savings and growth of the popular Family Loan Scheme (FLS) introduced in 2012 with help from the three local authorities. It also assumes continuing support for the Junior Savers Initiative.

#### **OUTLINE OF THE PLAN**

The following table shows the historical growth of the main activities of the Credit Union.

<b>Year Ended</b>	<b>Members</b>	<b>Shares Value</b>	<b>Loans Balance</b>		<b>Junior Savers</b>	
<b>September</b>	<b>No</b>	<b>£</b>	<b>No</b>	<b>£</b>	<b>No</b>	<b>£</b>
2014	1,870	335,134	800	490,959	209	6,795
2015	2,417	396,632	969	564,256	394	15,902
2016	2,738	506,731	1,446	608,129	647	31,126
2017	3,695	640,310	1,128	598,050	922	43,252
2018	3,994	591,363	1189	616,314	1086	57,741
* Growth 2014-17	113%	76%	43%	26%	419%	749%

It is acknowledged that the growth in member loans has slowed and to be expected and the board have agreed to look at other options to continue to grow in the future. These include extending the value of the FLS and the introduction of a loan product to members making payroll deductions to their accounts. This loan product will be at a competitive interest rate acknowledging the perceived lower risk.

The Junior Savers Scheme is one of the largest in the country with the costs to September 2018 being covered by grants from various pots of funds from the LA's. Going forward only Chesterfield have continued to support the scheme but the board consider that the lessons learnt by the savers and in some cases their parents is worthy of continued support although in the short term this will put the Credit Union into deficit. This action could not have been taken a

few years ago, but with audited reserves of over £182,000 it is a low risk whilst other income streams are developed.

The main areas of development are listed below:

### **Products & Services**

Our current list of products and services is listed below along with those which are currently in development and due to commence shortly.

### **Savings (currently paying a dividend on the average of the annual balance held)**

**Standard:** Our accounts for savers aged 16+

**Junior Savers Scheme (JSS):** A regular savings account operated in infant and junior schools for those 11 and under, which also helps to instil good financial and budgeting habits in the next generation.

**Corporate and Charitable Savings:** Accounts for ethical investors seeking to help local community by allowing their secured deposits be loaned to credit union members.

**Christmas Club:** A saving account that only allows members to make 2 withdrawals per year – in the summer months and at Christmas.

### **Loans (interest rates are dependent upon the product)**

- **Standard Loans:** Loans to members which have established a regular savings pattern and made within 5 working days of an eligible application being received (usually 2/3 days in practice). Variable interest between 2-3% per month, dependent upon member payment history and savings over £1,000.
- **Family Loan Scheme:** A very popular instant loan of up to £500 charging 3% interest per month, paid to families or individuals in receipt of Child Benefit (which is paid directly to CNEDCU). The whole child benefit can be used to make the repayments, but a lesser amount is usually agreed with the member following a robust budgeting interview. The 'surplus' amount can then either be left in as savings, withdrawn weekly/monthly or split between savings and withdrawal. Over 90% of those who participate in this, now make regular savings and we have noticed a marked change in financial planning and behaviour
- **Family Loan Scheme 2:** To be offered at up to £750 to members with good repayment record and ongoing income stream to enable repayments at higher levels.

- **Payroll:** Lending to payroll deductions members to be reviewed and a loan product launched
- **Corporate and Charitable Loans:** Loans to businesses and voluntary and community groups who are members of the credit union. Variable interest between 2-3% per month, dependent upon member payment history and savings over £1,000.
- **Rent Direct Scheme:** Landlords will no longer be able to receive rent payments direct to them. The Universal Credit will see households receiving all benefits in one payment including housing benefit.
- Variable interest between 2-3% per month, dependent upon member payment history and savings over £1,000.
- **Council Community Loans:** Managed in a similar way to the FLS, these funds have been dedicated by Parish Councils who advise whether the loan is either for residents from their Parish or from the local District. The loans are for a maximum of £100 or £200 depending upon Parish.
- **Chesterfield & North East Derbyshire Repossession Prevention Funds:** Administered through referral from one of the respective LA Housing Teams, an instant loan to specifically cover rent in advance or a bond.

#### **Ease of Accessibility to Funds and Services**

- **Budget accounts (Jam Jar Accounts):** To help members manage funds and budget for bills/expenses more effectively.
- **Engage card:** a prepaid visa card for benefits/salaries to be loaded onto to assist with budgeting.
- **Payroll Deduction Scheme:** Available to all members working through participating employers to direct savings to CNEDCU at time of wage/salary payment.
- **On-line member applications**
- **On-line loan applications**

#### **Actual and Expected Financial Results**

Year End	Income	Expenditure	Net Surplus/ (Loss)	General Reserve
	£	£	£	£
September 2018*	211,148	188,918	22,230	182,378
September 2019	228,852	239,497	(10,645)	171,733
September 2020	246,140	254,493	(8,353)	163,380
September 2021	271,279	260,253	11,026	174,406
Capital Reserves **				166,000

\*Draft Audited Results

\*\*Grants for FLS Capitalised