

Chesterfield and North East Derbyshire Credit Union (CNEDCU)

Your Local Community Bank

**run by local people to serve the financial needs of the local
community**

Business Plan

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1. Introduction

Mission Statement: The Mission of the CNEDCU Credit Union is to work towards the financial inclusion of all. To achieve this CNEDCU is committed to providing a broad range of innovative financial products supported by the dedicated service of volunteers and professional staff. These products will be administered in accordance with sound management practices to maintain the financial strength of the Credit Union. The Board of Directors, Management and Staff of the Credit Union hereby affirm that the efforts of CNEDCU will be consistently and professionally dedicated to the accomplishment of this mission.

Chesterfield Credit Union was launched in 1998 with key support from Chesterfield Borough Council (CBC) and Derbyshire County Council (DCC) in response to local incidence of family debt and financial exclusion. In 2008 the credit union expanded its "Common Bond" to include North East Derbyshire and re-launched as the Chesterfield and North East Derbyshire Credit Union (CNEDCU).

In order to provide full time leadership in 2010 a salaried full-time manager was appointed, funded by CBC, Derbyshire Primary Care Trust, NEDDC (North East Derbyshire District Council) and Rykneld Homes. This gave a fresh drive and focus to the organisation. With the launch of new products and effective, stable management CNEDCU has been able to make significant improvements against all key performance indicators.

Funding for the manager's post and the front-loading of the Family Loan Scheme (FLS) has been vital in CNEDCU's upward trajectory. NEDDC and Chesterfield Borough Council's support have been fundamental in achieving some impressive growth and in the transformation of the credit union into an organisation ready and to expand in the present financial landscape. More recently the intervention by Derbyshire County Council has enhanced the ability of the CU to survive.

Staff and volunteers have developed skills in social marketing, demand management and working at high volume with a range of different products. We have also learned much more about the levels of support needed by families in Chesterfield and North East Derbyshire.

One area which has probably rarely is mentioned and therefore not published is the way that the younger volunteers obtain skills that enable them to move to paid employment: range of skills learnt are; Reception duties; Interviewing; Cashier; IT related etc. More recent examples are:

1. Rachel came straight to the CU from college and learned skills as a cashier. After 1 year she gained full time employment as a cashier in a betting shop
2. Lucy volunteered for the Credit Union for two years gaining many skills as part of the administration team. She has recently secured a full time post with a firm of legal advisors
3. Sarah volunteered for the CU for several months learning many new skills as part of our admin team. Last month she gained full time employment with a department of the NHS
4. Kerry came to the CU straight from college totally lacking in confidence but willing to volunteer and learn as many skills as possible. Having proved herself to be quick to learn and a very efficient cashier, she is now employed by CNEDCU for 30 hours per week as chief cashier and also works closely with the Development Officer in developing new and efficient systems
5. Anna came to volunteer at CNEDCU in 2013 soon after coming to England from her home country Russia. Her English was technically sound, but her conversational skills were poor. In June of 2014 she moved into full time employment in a shop in Chesterfield, where she is doing extremely well and has a position interacting with customers.
6. One of our long standing volunteers came to CNEDCU with very poor communication skills due to a form of Asperger's. He grew in confidence over several years of volunteering for CNEDCU and last year went into full time employment for a Government Department where he inputs and processes data around immigration forms. He says that without his experience at CNEDCU he would never have had the confidence to apply for employment

In 2012 CBC and NEDDC agreed to place £25,000 each with CNEDCU to provide funding for the FLS. In the first 12 months this was supplemented by £30,000 loan from Two Shires and members funds during this period over £198,000 was allocated through 580 loans. In October 2013 DCC granted £116,000 to fund FLS. This has proven to be a huge success and since then (end August 2014) over 1400 loans totalling £620,000 have been made. The scheme is continuing in high demand and £50,000 of members' funds has

supplemented the LA Grants. In addition to this a number grants for small crisis loans have been made available from local parish councils. Further funding has been made available by DCC to support the expansion of the Junior Savers Scheme and support for additional staff hours. Details of Grant Funding are shown on the attached Spreadsheet.

Overall growth is:

Year Ended	Members	Shares Value	Loans Balance	
September	No	£	No	£
2012*	704	188,506	212	166,480
2013	1153	245,205	491	300,582
Est 2014	1500	340,000	800	490,000
*Growth2012-14		180%		295%

2. The Vision

Our Business Plan sets out the various targets and profiles we need to meet to be sustainable and broadly how we will go about achieving these. Close liaison and working together with existing and future partners will be critical to our success. We believe the targets are realistic and achievable but we also recognise that they are challenging and that there is very little headroom for failure without having to go back to our supporters for further funding. Whilst this can't be ruled out the Board are committed to making CNEDCU a successful, respected and financially viable credit union.

We want to be a financially stable, vibrant, robust, well-known and respected Credit Union, building on existing strengths, and characterized by the following features:

- a) significant, sustained growth of membership
- b) significant, sustained growth of our profile to the general public
- c) independently funded through operational income (rather than grant funding)
- d) focussed on clients, offering a variety of products to meet their needs
- e) strong leadership from a board with a clear vision and how to achieve it
- f) ordered, structured governance
- g) an institution that involves the whole community
- h) promoting savings to juniors and their parents
- i) attract ethical investors whose aim is also helping the local communities
- j) work towards being able to pay dividends to members
- k) an efficient organisation, managing effectively and getting the most out of our resources, human and otherwise

3. Objectives

- a) the promotion of thrift by encouraging members to save including the continued development of Junior Savers.
- b) the creation of sources of credit for the benefit of our members at a fair and reasonable rate of interest
- c) the use and control of members' savings for their mutual benefit
- d) promoting the training and education of members in the wise use of money and in the management of their financial affairs
- e) to help reduce financial hardship across Chesterfield and North East Derbyshire
- f) to recycle monies within Chesterfield and North East Derbyshire economy

4. Aims

- a) a secure home for member's savings
- b) affordable loans at competitive rates creating a range of loan products detailed under 7g
- c) first class service to members by dealing with all contacts in an efficient, timely, friendly and professional manner
- d) broaden our services to meet members needs
- e) increase accessibility of our services
- f) increase payroll deductions

- g) develop existing and new products to allow our expanded services to grow
- h) manage costs to ensure services are delivered economically, efficiently and effectively
- i) be financially sustainable

5. Where We Want To Be – Our Goals.

In order to achieve a VIABLE SUSTAINABLE BUSINESS WE NEED (by Sept 2016):

- a) Membership levels**
 - 2,000 active members
 - Value of shares - £400,000
- b) Loans to a value of £600,000**
- c) Effective Risk Assessment**
 - We need a balanced portfolio
 - Average interest rate earned > 2.5%
 - Level of bad debt significantly reduced, target 5%
- d) An attractive product range. This needs to include:**
 - on line transactions
 - timely and competitive loans
 - Variable interest rates
- e) Accessibility**
 - 35% of members having a pre-paid card
 - 10% of loan applications completed on-line
 - 50% of new member applications completed on-line
 - Streamlined processes and decision making
- f) Dividend on savings to be paid annually**

6. Measures of Success

Seven key areas have been addressed:

- a) secure short-term funding to enable us to operate for the next 18 months
- b) product development and accessibility through CUEP
- c) increase in critical mass
- d) make the most of our near to high street presence
- e) response to Welfare Reform
- f) improve profitability
- g) interest rates
- h) governance

As part of the business planning process we have identified the need for grant funding to September 2015 and have been successful in receiving financial support. To date we have secured over £70k from these sources and believe there is little more to come. At an average charge on a loan of 2.5 % (per month) in the Business Plan it identifies a small deficit in 2016/17 this is now considered manageable.

In addition to the above funding gap the support from the LA's has allowed the CU to improve its capital ratios above the recommended PRA 3% level in 2014/15. In addition to the revenue grants the gifts of capital to support the FLS underpins that project and aids the generation of income needed to support the high costs involved.

- FLS loans working with local councils to address impact of financial exclusion and welfare reform
- approaching trade bodies and associations to see whether we can help their members
- attract ethical investors seeking to help local community
- development of differential loan products
- fostering mutually beneficial relations with the existing banking sector
- maximising the opportunities from the recent Church of England campaign against payday lenders
- promoting take-up of payroll deduction schemes

- working with potential partners in promoting credit union services
- learning from other CU's through the CUEP project, trade association and regional forums
- working directly with the DWP to benefit from expert marketing support, advice and funding, initially around increasing and attracting Tier 1 and 2 members

7e) Response to Welfare Reform
The Welfare Reform Act 2012 has been widely acknowledged as implementing the biggest changes in the benefits system since its history. The changes will affect all who are of working age and in receipt of key benefits; such as JSA, DLA & housing benefits.

Credit Unions have been acknowledged by many organisations as having the experience and services necessary to assist benefit claimants directly, through our core services of loans and savings, and of assisting those who deliver services such as District and County Council, Housing Associations, private landlords and community organisations.

By speaking to these organisations the following products have been developed, as an immediate response;

- Swift loans – in response to calls for us to address payday lending, of which it is anticipated there will be an increase of usage
- 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
- CredEcard, a prepaid visa card for benefits/salaries to be loaded onto to assist with budgeting

Other products and services which will address the Welfare Reform changes including:-

- Budget accounts (jam jar)
- Current accounts
- On-line signup

Although a degree of caution will be needed to assist those affected by Welfare Reform it is seen as an opportunity to ensure continued financial inclusion and an increase in membership and use of credit union services. As there are ramifications of Welfare Reform which are still unclear, we will continue to work with those organisations whose clients will be affected and will flex services and products as appropriate.

Profitability will be improved by increasing our critical mass through growth but other areas we intend to pursue to improve our financial position include:-

- reviewing and extending level of fees e.g. joining fee other fees
- recovering costs of services e.g. credit checks
- promoting swift loans
- promoting corporate/community membership and borrowing
- reducing cost of bad debts including introducing payments by debit card, reviewing debt collection methods and organisations, working written off debt harder.
- introduce on-line membership sign up and review other areas of automation
- continuing to review all areas of cost including staff, accommodation, IT, telephony and printing etc.
- being more proactive in investing unused capital

It is proposed to have variable rates of interest on members' loans with the average rate of 2.5% per month being achieved.

Working with 2 other Derbyshire Credit Unions to develop a mutually agreed interest rate in order to provide consistency in incentivising payroll deduction across the County

There is a need for a board focussed on strategic planning, and a separate operational group free to focus on vital issues such as product implementation and customer satisfaction.

The Governing Board needs to be tight and focussed, and should exhibit the following characteristics:

- Executive skills
- Strategic focus skills
- Entrepreneurship
- Community based representation
- Customer representative – preferably somebody who has experience of taking out the kind of loans that the Credit Union offers

- Implementation of Board strategy.
- Customer issues – complaints and satisfaction levels.
- Logistics and management issues
- Service points
- Product development and implementation
- Training
- Financial management
- Management of Consortia and Partnership arrangements
- Establishing policies and procedures

Maybe this would enable the board to delegate their tasks. In a growing business this can be most useful. The tasks of the current board could be split into the two groups in order to allow them to work more efficiently. The current board is trying to do everything, and not having enough time to see clearly into the future. Equally for those focussed on operations more time and space has to be created. A clearer definition of the two groups work, and the make-up of each group needs to be discussed further but the operational group should include members of staff and key volunteers..

7. Resources to deliver the plan

CNEDCU existing paid staff and key volunteers have experience in either volunteering with or being employed with all having over two years' experience. Staff are motivated with a good professional attitude and understanding of the credit union business and are keen to see the success of the business as a whole. However, with no individual development plans in place due to limited time resources, and the way in which we operate, there is a risk that staff may decide to leave or become unmotivated by the changes if they do not see an improvement in the longer term prospects of the business and the relative security of their employment.

The relationship with management is open, honest and staff feel that they can have a say in the way they carry out their day to day duties and that they can have influence over the success or failure in aspects of the business. The financial forecasts attached to this plan, show that with the increase in membership, staff resources will need to increase and this will alleviate any new pressures that these initiatives and changes will bring to and show the value management places on them.

Appendix 2 shows the current organisation structure of the business.

8. Strengths of the above plan.

- We have secured or are close to securing much of the necessary short-term funding
- Government support and financial backing for the credit union movement
- Needed and supported by local authorities, and others to address issues of welfare reform and financial exclusion

9. Risks & Mitigations of the above plan

What is the risk	Likelihood	Impact	Mitigation
Plan does not reflect CUEP targets	High	Medium	Demonstrate the validity of our numbers and profile to Abcul
CUEP does not deliver	High	Low	Strong project plan and governance. Widespread buy-in from all parties.
Targets are not met	Medium	High	Continual monitoring of all targets, identifying where there may be a shortfall and addressing in a timely manner
We run out of funds	Medium	High	Continually reviewing financial performance and liaising with potential supporters
Lack of support from Local Authorities etc.	Low	High	Good communication, involvement and engaging their client base. Become integral to their response to welfare reform and tackling financial exclusion
Internal resources not able to meet the challenges.	Low	High	Good communication, ongoing support and commitment from board, management and members. Recognition & acceptance that this is the only way for us to achieve sustainability.
Loan Interest Rates are unattractive and Loan Book reduces	Low	High	Communicate the alternative rates being charged to unsecured borrowers of less than £1,000
CURTAINS Software no Longer supported	Low	High	Research other software providers

10. Exit Strategy

We are confident that if we achieve the targets set out above and in the appendices 2 we can become financially sustainable. We accept that the targets are challenging but with LA support,, the support of government, partners and local communities and the commitment of the Board, staff and volunteers that they can be met. We will continually be monitoring performance but if we reach a point where we don't believe we can be successful our next steps would be as follows:-

- Talk to other Credit Unions about possible merger
- Talk to interested parties who may be prepared to take over the credit union responsibilities
- Explore whether we can revert to a volunteer based business
- Explore whether we could break up the business into smaller geographical areas
- Inform & discuss with the Regulators
- Start administration proceedings for the business to cease to trade

Organisation Structure – Appendix 1

NB: The FTE numbers quoted above do not include for the non-contractual hours worked on another weekday.

Strengths and Weaknesses – Appendix 2

Our SWOT analysis showed the following:

a) **STRENGTHS**

- we are known for our strong ethical approach, founded in community and social purpose.
- we cover Chesterfield and North East Derbyshire – a nice, clear footprint
- we have the basis for strong partnerships with County, Borough and District Councils, Housing Associations – potential clients who deliver community based objectives
- there is an overall need for the products we can offer
- we have people with passion and energy throughout the organisation
- our balance sheet is cash rich (though resource poor)

b) **WEAKNESSES**

- we have limited resources
- we lack the finance to promote ourselves
- we don't offer enough competitive products (interest rates too high)
- we have not yet realised the full potential of partnership working with the housing associations etc.
- we are being pulled in too many directions for our resources
- we have not achieved critical mass

c) **OPPORTUNITIES**

- potential support from Housing Associations, Local Government and Utilities for products and services that will help their customers better manage their money and protect their own income stream
- high level of demand for borrowing as demonstrated by the success of pay day, door to door, illegal lenders etc.
- potential demand and synergies from the introduction of universal credit, particularly relating to the needs of Housing Associations and other landlords
- potential to access DWP funding to facilitate the introduction of universal credits and to modernise and expand Credit Unions
- we can extend our member base to include public and private sector including small businesses
- partnerships with banks and other institutions particularly those tasked with helping the financially excluded

d) **THREATS**

- competition from other Credit Unions
- need to achieve and maintain 3% Capital Assets Ratio
- competitions from housing associations setting up their own Credit Union/ schemes
- competition from organisations such as Wonga, Provident etc.
- due diligence issues – governance and constitutional issues need to be reviewed
- Human resources and staff/volunteer training
- Curtains software no longer supported