

Implementation of Derbyshire-Wide Credit Union Services

*Summary of Interim Report
March 2010*

The Implementation Plan

Two elements regarded as vital to the implementation plan are:

- The **Credit Union Current Account (CUCA)**. It addresses the need for banking services identified in the financial inclusion strategy and has been factored into any proposals;
- The delivery of **‘quality’ and relevant credit union services** with a range of products to meet the needs of all those on low to middle incomes, including the financially excluded.

In addition key components of this study included exploring the following:

- Building on **existing Credit Union expertise** and operations in the county
- **Existing credit union’s** capacity and interest in expansion
- Ensuring **local identity and representation** across the county
- Securing **high level commitment** (e.g. payroll deduction) from potential funders & partners, ie. District Councils, Primary Care Trusts & Housing Associations
- **Local access**, staff, premises and piggybacking on existing sites
- Using potential **DWP ‘Growth Fund’** monies to maximise potential for affordable lending

Key Requirements for Any Option to be Successful



- The need for **strategic County and District support** including agreement to payroll deduction from day one.
- A realistic development **funding package** agreed in advance and secured – from County Council, Districts, PCTs and RSLs
- A **realistic time** for sustainability
- Inclusion of **Derby** with its 25% of the county's population
- Ensuring **existing credit unions** do not fold with resultant reputational loss
- **Rural access** in the five main towns
- **Initial capitalisation** is required if this is not available
- **Local delivery staff** are required - e.g. dedicated Member Services Officers
- If a proposal is based on existing credit unions transferring, **due diligence** will be required on them. FSA will want notifications and a business case.
- The **capacity of Board and staff** to deliver is key
- The proposal needs to be based on a proven development model and a 'quality credit union' approach with an understanding of Credit Union best practice

Delivery Models

A Twin Track Approach is required – Low to Middle Incomes

1. to develop the credit union through recruitment from public and private sector employees via payroll deduction which has low transaction costs.
2. to work with communities to recruit members from the parts of the county where the need for credit union services is greatest.

Local Delivery Models

A number of options that can be considered in relation to local access points and use of premises including piggybacking on existing sites and some remote working as part of an outreach plan

- **Branches**
- **Local Support Groups**
- **Community Service Points**
- **Sharing premises** in communities with organisations which already have a high profile and accessible facilities.

Option 1

1. Set up a new credit union covering all of Derbyshire county

Pros

- Maximum local control/ ownership from outset
- Local identity clearer from outset
- Rural areas included from the outset
- Easier to sell to county council?

Con

- Costs in excess of £900,000
- Need for a Development Phase Timescale 1-2 year plus before registration
- Up to five years to sustainability
- Not yet a local group e.g. of residents pushing for this or strong local authority pressure
- Not a priority for stakeholders (including members) and funders for new legal entity as long as services are good quality and local access to representation is guaranteed
- Also needs initial capitalisation to on-lend from day 1
- Need to include costs of banking set up
- Unlikely to secure DWP Growth Funding

Option 2

2. Extend the operational area, of an existing credit union operating in Derbyshire

Pros

- Costs approximately half those of new set up
- Avoids duplication of back up costs
- Scale of operation maximises efficiency
- Porous borders means residents often live or work in adjacent boroughs

Con

- There is no existing credit union keen and confident to undertake this role
- All local credit unions are relatively small providing limited range of products – would need major developmental support and capacity building to deliver the expansion
- Several pressurised existing credit union Boards addressing sustainability issues
- No existing credit union with banking facilities
- May need initial capitalisation to on-lend from day one depending on size of the credit union
- Minimal access to DWP Growth Fund

Option 3

3. Extend the operational area, of a neighbouring credit union/s

Pros

- Costs less than new set up
- Avoids duplication of back up costs
- Scale of operation maximises efficiency
- Development, expertise and capacity of larger neighbouring credit union may be greater
- If a large credit union - Scale improves access to payroll deduction, marketing opportunities
- In some districts residents already look to neighbouring counties
- Banking facilities available at no extra costs
- Access to Growth Fund

Con

- May be harder to deliver local ownership and local identity
- Concerns of existing credit unions as to loss of control
- Potential concern at role of neighbouring county/ies

Option 3 - Costs

Derbyshire Coverage: Option 3 - Extend Neighbouring NCU and MCU

<i>Item</i>					<i>Year 1</i>	<i>Year 2</i>	<i>Year 3</i>	<i>Total</i>
NCU Derbyshire Development Manager /PD					£30,000	£25,000	£20,000	£75,000
MCU Derbyshire Development Manager /PD					£15,000	£10,000	£5,000	£30,000
Member Services Officers x	£25,000	3 x	4	4.5	£37,500	£100,000	£112,500	£250,000
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Project Management					£8,000	£8,000	£8,000	£24,000
IT					£35,000	£0	£0	£35,000
Marketing					£15,000	£5,000	£5,000	£25,000
Additional Management & Admin NCU & MCU					£25,000	£15,000	£10,000	£50,000
<i>in addition to CUCA (included in banking costs)</i>								
Premises - depends on access points					£30,000	£30,000	£25,000	£85,000
<i>Aim to develop partnership arrangements</i>								
Total					£195,500	£193,000	£185,500	£574,000

Option 3 - Cash Contribution

Derbyshire Coverage: Option 3 - Extend Neighbouring NCU and MCU					
Deficit	Year 1	Year 2	Year 3		
From Costs (above)	£195,500	£193,000	£185,500	Funding	£574,000
<i>Proposed Contribution</i>					<i>Totals</i>
DCC	£64,515	£63,690	£61,215	33%	£189,420
RSL's in Derbyshire (15% of total cost)	£29,325	£28,950	£27,825	15%	£86,100
Districts (8)	£54,740	£54,040	£51,940	28%	£160,720
Derby (1)	£9,775	£9,650	£9,275	5%	£28,700
PCT's	£19,550	£19,300	£18,550	10%	£57,400
Other/Charitable Trust	£17,595	£17,370	£16,695	9%	£51,660
Totals	£195,500	£193,000	£185,500	100%	£574,000
<i>Balance</i>	£0	£0	£0		£0