



Credit Union (proposed)

Business Plan

Executive Summary

Contact details:

Essex Savers at  53 New Street, Chelmsford. CM1 1AT

☎ 01245 496235 ✉ info@netcuda.org.uk

website: www.essex-savers.netcuda.net

CONTENTS

The Vision

Business Concept

Overview of Sector

Description of Business

Business Goals

Action Plan

1. The Vision

The vision of Essex Savers net Credit Union Ltd, its unique characteristic, is to create a common bond that is significantly larger than those which have existed before. This is not because the members believe in centralisation for its own sake, but rather because they believe that a centralised structure will enable *local* Credit Union collection points to thrive without having to duplicate administrative and regulatory demands across many Credit Unions. This vision combines the need for locally run community-based credit union services and the requirement for impeccably high standards of regulation and management.

Essex Savers net Credit Union Ltd will exist to provide a community savings and loans scheme for the widest possible range of people within the common bond of 'living or working' in Essex.

The Credit Union intends to offer loans to all members. Ability to repay the loan and Credit Union contribution history will be the key criteria considered when disbursing loans. Loans will be considered for all legitimate purposes.

The overwhelming majority of staff working for the Credit Union will be unpaid volunteers drawn from the membership, although the Credit Union may appoint paid staff. It will be managed by a Board of Directors and there will be a Supervisory Committee and a Credit Committee.

The overall target of the Board in the first year is to enable Essex Savers net Credit Union Ltd to establish itself and grow. The longer term aim is to support community initiatives in order to promote local employment and social inclusion for all in Essex.

The cost of launching Essex Savers net Credit Union Ltd will amount to approximately £125,000 and the total cost of the project for the first three years approximately £600,000. This money will be raised from a combination of public and private sector backers. Essex Savers net Credit Union Ltd has the following strategic financial objectives for the first three years of operation:

<u>Year 1</u>	Year end membership Total members' savings Funding for costs (including capital requirements) Dividend payable to members	750 £375,000 £250,000 1.25%
<u>Year 2</u>	Year end membership Total members' savings Funding for costs (including capital requirements) Dividend payable to members	2,250 £915,000 £150,000 1.75%
<u>Year 3</u>	Year end membership Total members' savings Funding for costs (including capital requirements) Dividend payable to members	4,500 £2,027,000 £200,000 1.75%

The Credit Union will have a Head Office. The first collection point will be established at the opening followed by as many collection points/sub collection points as local communities demand, given the necessary resources, with a view eventually to bringing everyone in Essex credit union services. Facilities such as ATMs, PayPoint/All Pay and cash cards will be offered to members as alternatives to the traditional collection points.

The Credit Union aims to apply for registration and version 1 authorisation by autumn 2003. The official launch of Essex Savers net Credit Union Ltd is expected to be Spring 2004.

2. Business Concept

1. Mission Statement.

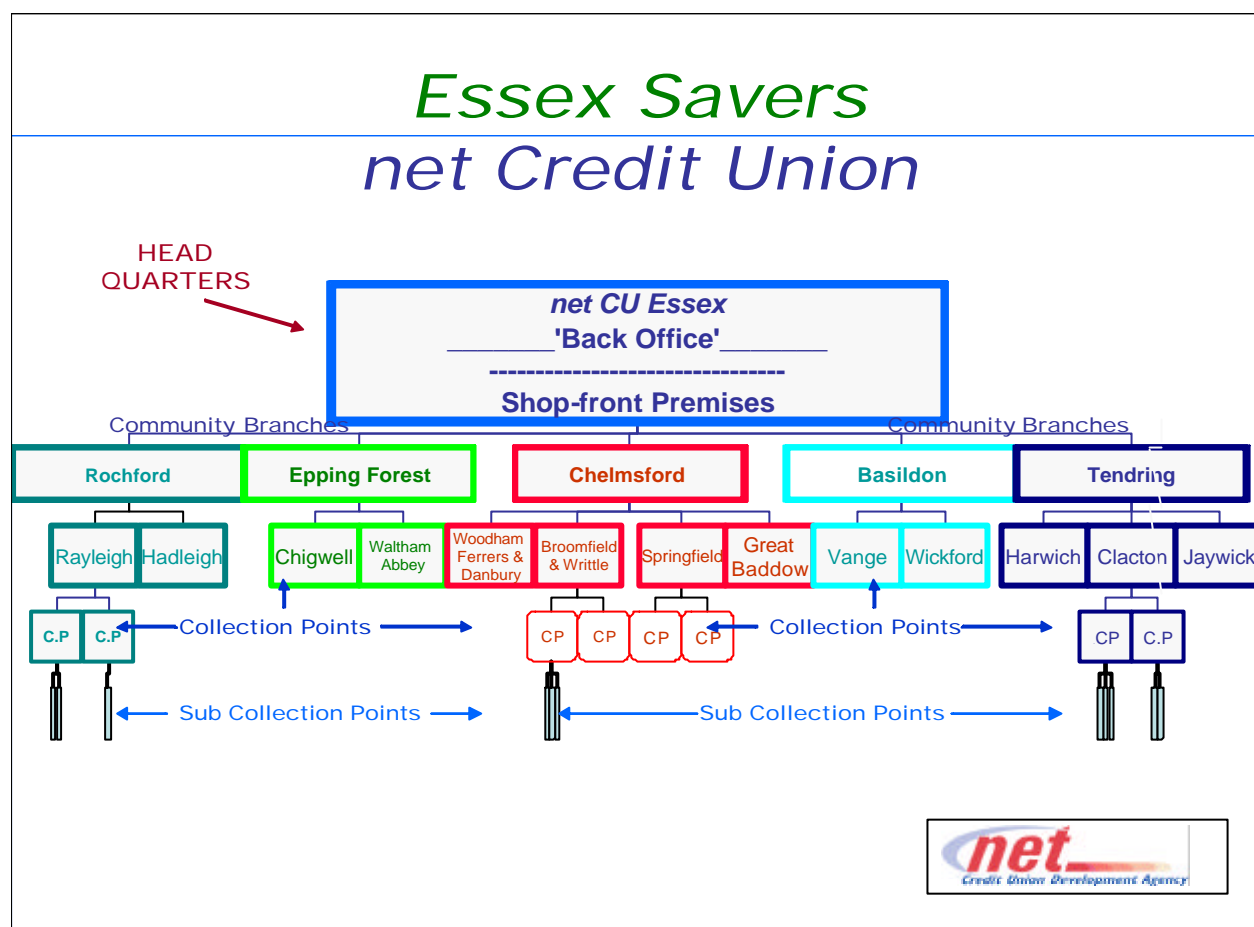
The Essex Savers net Credit Union Ltd exists to provide a community savings and loans scheme for the widest possible range of people 'living or working' in Essex. Access to services will be provided as freely as possible consistent with the over-riding need to protect the interests of members.

2. Unique Characteristics

The vision for Essex Savers net Credit Union is to bring together the demands of the locally run community-based credit union and the need for impeccably high standards of regulation and management. This benefits members in the following ways:

- Regulation will be dealt with by head office.
- Disadvantaged groups will have access to capital that they could not raise themselves.
- Economies of scale bring cost advantages.
- The wide common bond will provide a large pool of volunteers.
- Within the wide common bond, areas of net saving will fund demand from areas of net borrowing.
- Essex savings will stay in Essex and be reinvested in the economy of Essex.
- High quality training expands the skills base and qualification levels of the population of Essex.
- Disadvantaged and financially excluded groups within Essex will stand together to combat disadvantage and exclusion.
- Essex will become less attractive to unscrupulous financial predators.
- Essex Savers net Credit Union will provide a genuinely local solution from a centralised structure.

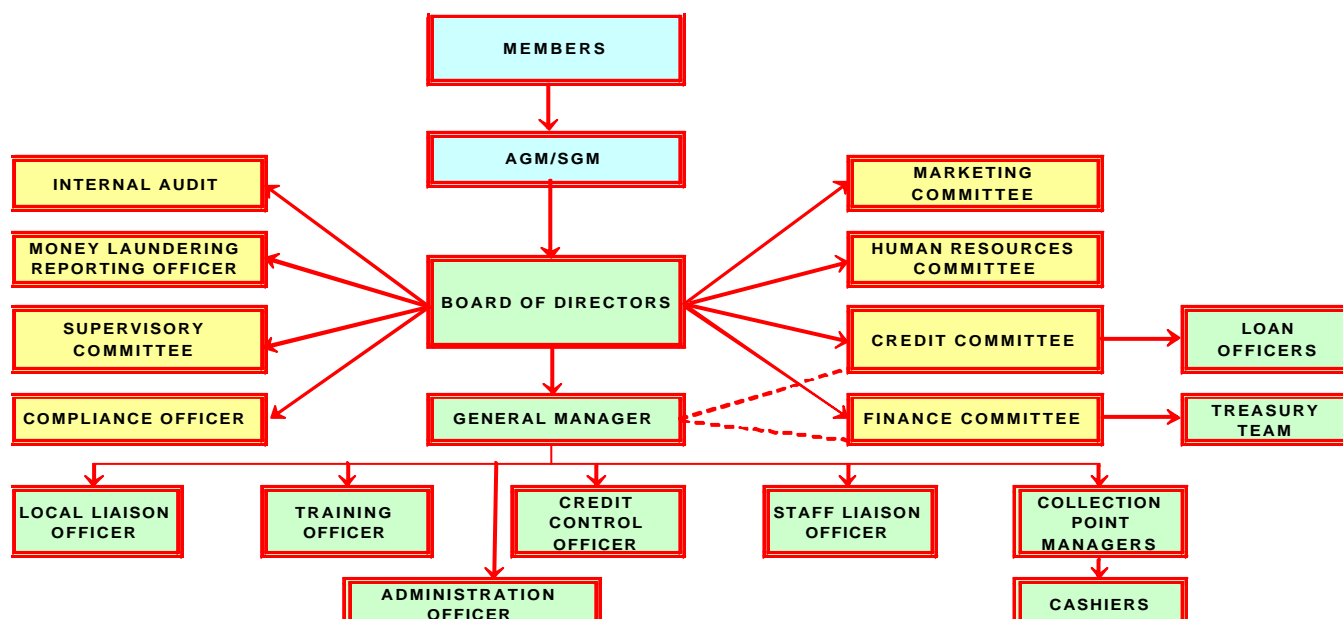
The Structure for Essex Savers net Credit Union showing the network of collection points planned initially (it will expand to include the other boroughs/districts of Essex):



3. Legal Status.

Essex Savers net Credit Union Ltd will be a registered company limited by guarantee. It is neither a private company nor a charity.

4. Management Structure.



5. Loans Policy.

Ability to repay the loan and Credit Union contribution history will be the key criteria considered when disbursing loans. No customer information will be provided by Essex Savers net Credit Union Ltd to other agencies.

Loans will be considered for all legitimate purposes. An Emergency Fund loan will be available to members at short notice. Essex Savers net Credit Union Ltd will retain the right to refuse loans to members.

6. Targets

The overall target of the Board in the first year is to set in place procedures, train staff and develop contacts with clients so that Essex Savers net Credit Union Ltd can establish itself and grow. The longer term aim is to return most if not all of these resources back to the local economy and to support community initiatives in order to promote local employment and social inclusion for all in Essex.

3. Overview of Sector

STEP Analysis

Sociological:

There is a need for a socio-economic mix to ensure that the demand for loans can be met from available deposits.

Technological:

Use of the most up-to-date technology will maximise the efficiency and effectiveness of the Credit Union.

Economic:

Essex provides a social, ethnic, income and occupation mix as well as urban, rural and coastal areas. Many local areas are now poorly served by the traditional financial services due to bank branch and post office closures.

Political:

Building 'Community' is on the political agenda and Credit Unions have proved to have a positive impact in this area. Deprived areas of Essex can attract funding to establish community-building projects.

STRENGTHS and OPPORTUNITIES

Strengths: Fits in with government plans (financial exclusion, economic regeneration and anti-poverty strategies) Not for profit mutual society Membership base Builds community – local service Skill building – trains local people Social Enterprise - sustainable Micro Finance – provides loans for sole business start ups Little competition	Opportunities: Change in Credit Union environment Closure of bank branches and Post Offices Use Regeneration Budgets Joint ventures – partner with other organisations locally To provide service where there is none Greater use of community premises (share with other organisations, partner with other financial services) Loan sharks and high interest lenders Debt scheduling companies Increasing Personal Debt levels
---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

4. Description of the Business

Now that Credit Unions are regulated by the FSA, the goal of Essex Savers net Credit Union Ltd is to apply a new sense of scale and professionalism to the Credit Union sector consistent with the higher regulatory demands applied by the FSA.

The vision of Essex Savers net Credit Union Ltd is to create a common bond that is significantly larger than those which have existed before. This will allow a centralised structure that will enable *local* Credit Union collection points to thrive without having to duplicate administrative and regulatory demands across many Credit Unions. Size is also an essential aspect to long term sustainability.

Initially, Essex Savers net Credit Union Ltd will consist of a head office with one collection point attached. From this office it will build the structure necessary to allow collection points to be created all over the county.

5. Business Assumptions

Assumptions made are as follows:

1. Members: 750 members in year one rising to 2,250 at the end of year two and 4,500 by the end of year three.
2. Deposits: a deposit level of £375,000 by the end of the first year; £915,000 at the end of year two and £2,027,000 at the end of year three.
3. Solvency: a capital base of £105,000 after one year, £112,500 after two years and £198,000 after three years, thereby giving it a solvency ratio of 8.3%.
4. Financial Backing: the cost of launching and operating Essex Savers net Credit Union Ltd for the first three years will be approximately £600,000. This money will have to be raised from a combination of private and public sector backers.

Action Plan

Completed to date:

- Identify and appointing core management group and steering committee.
- Core (5) management group trained.
- Regular monthly meetings.
- Name selected.
- Draft Business Plan.
- Model Rule Book adopted.
- Draft Policy & Procedures Manual.
- Draft financial projections.
- Web site built.
- Savings Club established with insurance cover and bank account.
- Affiliated to Association of Independent Credit Unions.

September 2003:

- Steering/Management Group agree Business Plan & Budget (for funders).
- decide how to split budget to access funding to cover for first three years budget, eg. how many funders/geographical areas
- identify potential financial backers
- Management Group to be given 'Approved Person' forms
- Essex Savers Savings Club taking deposits (not cash) – encourage membership

Post Sept. meeting and Conference:

- Approach potential funders (County, Borough, District Councils, Housing Associations, Independent Living, ESF, Learning Skills Council [training], + others) by end of September, with Business Plan & Budget to fund a share of the overall cost, appropriate to the services they/their clients/their area will receive, to be considered for inclusion in their budgets for April 2004/05.
- Arrange regular meetings for the local groups that came together as a result of the netCUDA Conference.

October 2003

- Finalise Full Business Plan, Financial Plan, Policy & Procedures, Funding Plan for FSA
- Send FSA application documents to Association of Independent Credit Unions for their approval together with their Model Rules Book completed with Map of 'common bond' area being applied for.
- Continue to recruit Management Group members – min 15 members for Board of Directors
- Increase membership of Essex Savers Savings Club
- Engage APU Marketing Consultancy Group for marketing project over three months

November 2003

- Conduct first sessions of Management Group training.
- Confirm relevant individuals as '*approved persons*'.
- Complete membership of Supervisory and Credit Committees
- Allocate all jobs (money laundering reporting officer, complaints officer etc)
- Obtain written commitments of funding from backers.

December 2003

- Appoint auditor.
- Apply to FSA for joint registration and version 1 authorisation.
- Complete marketing strategy.

Early 2004

- Continue Management training
- Discuss application with FSA
- Gain commitment of funding and resources
- Report and outcomes from of APU Marketing Consultancy
- Seek premises

April 2004

- Identify premises for head office and shop front.
- Prepare publicity campaign
- Continue dialogue with FSA
- Prepare for FSA pre registration visit

May 2004

- Demonstration of software package
- Train collection point volunteers
- Produce stationery and literature
- Start main publicity campaign to gain members.
- Supervisory Committee to develop internal audit procedures.

June 2004

- Receive formal FSA registration and authorisation.
- Market at netCUDA Conference
- Software package training
- Training for Collection Point volunteers
- Advertise for Manager (dependent on funding).
- Convert from savings club to credit union.
- Fit out office and shop front
- Launch major marketing campaign to recruit new members.

July/August 2004

- Move into premises.
- Install IT.
- Open 1st main community branch/collection point
- Interview candidates for Manager and make appointment.
- Agree investment strategy for cash surplus.
- Start to use the planned occasional collection points
- Plan launch of other collection points by advertising for volunteers.
- Training for new Collection Point volunteers

September 2004

- Official launch of Credit Union.
- Launch 2nd main community branch/collection point.
- Recruit representatives of these to Management Group for Essex
- Train new volunteers

October 2004 on

- Launch 3rd main community branch/collection point
- Recruit representatives of these to Management Group for Essex
- Train new volunteers
- Continue to open further collection points and sub collection points, where there is demand, as resources become available.
- Ongoing training programme for new Management Group and Collection Point volunteers.