1. Introduction

During quarterly Board Meetings of the Directors of the Credit Union, it was agreed that the business plan should again be updated to clarify the future strategy to achieve specific goals for the coming years. The following document provides an outline to the strategies by which we plan to meet our goals and it will be used;

a) To communicate a sense of direction to all parts of our organisation;
b) To identify short term actions needed to prepare the Credit Union to meet its long term objectives;
c) To help assess the long term impact of short term plans
d) To provide a basis for short range, one year planning;
e) To provide a basis for financial strategy; and
f) To provide a control device against which to compare actual progress.

2. Mission

The Credit Union is a member owned financial institution whose purpose is to promote the financial well-being of its members by providing comprehensive and progressive financial services.

Operating Principles

a) To provide these services in a professional, personal and competitive manner
b) To provide a climate in which the Credit Union volunteers, directors and employees can achieve outstanding performance and personal growth
c) To support the advancement of the Bakers Union community, the Credit Union philosophy and in particular our own Credit Union family
d) To continue the emphasis of the Credit Union strength through growth of capital and surplus

All of these will be supported by a programme of excellence in product quality and service whilst maintaining high standards of ethics and integrity.
3. Assessment of Current Position

Despite the commendable results of the Credit Union in its earlier years when moderate surpluses were made, enabling it to make a dividend distribution to members, there followed a period where the situation had not been so favourable leading to a period of deficits. There were two main reasons for this;

i) The administration of the Credit Union, previously outsourced to a Regional Office did not have the back-up needed to service the growing membership. At the same time the Bank decided to withdraw from this area making in house administration more odious. The Board of Directors decided to bring this service ‘in house’ by employing one individual to carry out admin duties. The annual cost of this is approximately £17,000 as opposed to the previous service from Unity which was much lower in the earlier years.

ii) Owing to the recent worldwide “financial crisis” it appears to be having an impact on the recoverability of a large number of member loans. As a consequence of this, in the early years the Credit Union had suffered significant provisions for debt in arrears. A debt recovery plan has since been introduced and has been successful in reducing these liabilities. Small claims and attachment of earnings proceedings are now used to ensure member’s savings are protected.

The Credit Union is presently in the position of having positive capital in the region of £160,000 as at 30 September 2016. In January 2010 the Credit Union arranged for a subordinated loan to be provided from the Bakers Food and Allied Workers Union amounting to £95k. This assisted with repairing the capital deficit at that time while creating a positive capital position. Since the Subordinated Loan was agreed the Credit Union has experienced annual surpluses.

It is anticipated that no further loans will be provided by the Bakers Union and so we have taken steps to ensure that sufficient surpluses are made in the future, not only to repay the subordinated loans but also to provide future benefits to our members. The following paragraphs aim to set out the way in which the Credit Union hopes to achieve this goal.

3a. Characteristics of the Credit Union

Strengths

i. National coverage
The Credit Union is open to members from all over the British Isles and as a result of this it has a large base in which to target new members. Such a strategy could lead to a significant increase in member numbers while also increasing income levels for potential distribution back to the members.

ii. Range of Services and Personal Service

Our full range of services must also be considered strength. They match up well against many banks, building societies and other credit unions. We are also proud of the personal service that we provide unlike banks and building societies, which tend to be very impersonal organisations. They are perceived as not being very concerned about the individual (particularly small depositors) whereas we have a strategy of ‘getting to know your customer’ which we feel is useful for keeping on top of where we stand with regards to recoverability of loan balances.

iii) Management Team

Over the past year we have worked to improve the quality of our management team and to streamline our operations. Improvements in staff training are becoming more of a focus and the Directors are beginning to develop a greater understanding of how the Credit Union should be run. We have also put in place a supervisory committee to meet on regular occasions to discuss the on-going activity from a ‘third party’ perspective.

B Weaknesses

i. Recoverability of the loan balance

In recent years the Credit Union has suffered as a result of a large number of members defaulting on their loans. This is by no means the fault of the Credit Union as the normal checks on issuing the original loans were strictly adhered to. Instead it is more a case of individuals going through financial hardship and in many cases choosing to enter into an Individual Voluntary Arrangement (IVA) and as a consequence of this the Credit Union rarely recovers the full loan balance. In the period covered by the last Business Plan the position on bad debt is much improved and we now have a more structured approach to, and chase up provisions for the recovery of bad debt.

ii Gaining new members

The Bakers Union (Trade Union) has had a history of endorsing and promoting the services of the Credit Union to its members. A steady growth is being achieved. However we aim to put more effort into membership growth in the next period.

4. Future Strategy
In order to achieve our financial goals, we must be prepared to address the obstacles and potential obstacles that stand in our way. Specifically, we must work to remedy problem areas while taking advantage of our strengths and the opportunities in the marketplace.

Our strategic objectives for the next 2 years and the methods by which we will work towards each of these strategic objectives are discussed below.

a. To Build Capital and improve the overall financial position of the Credit Union

The stronger the Credit Unions capital base, the better it is able to service its members in good times and bad. For that reason, we will make attempts to maintain the Credit Unions positive capital position.

Due to the significant losses incurred by the Credit Union in the years from bad debts, we have now also established a procedure, whereby we print off an arrears listing on a regular basis from the Curtains account system for review. The accounts clerks will then go through this list and identify any new loans in arrears. This will be followed by contacting the member by telephone to enquire into the missed payment. By doing this at an early stage we have seen evidence that it mitigates the risk of the loan repayments being continually missed at a later stage and from the member subsequently defaulting on the loan. Additionally we have also created template letters for sending to members when a payment is missed to warn them of future action that could be taken by the Credit Union should repayments continue to be withheld. Failure to respond will lead to claims against bad debtors through small claims court and attachment of earnings. We have had successes.

As explained above the majority of costs of the Credit Union are fixed and the same can be said for the income as this derives from the loan balance of members, which remains consistent year on year. In order to improve the capital position of the Credit Union we are hopeful that we can continue to grow in size, leading to a larger number of loans being taken out although we do not want to taint our loan to share ratio. An administration fee of £2 per year has been introduced, this will be reviewed annually.

Finally, following a review of our banking arrangements, we have identified that we are not achieving a satisfactory return on the cash reserves we are holding within Unity Bank. We have been in discussions with our independent financial advisor and are currently in the process of transferring some of our cash reserves into a different savings vehicle in which it is anticipated a more significant return will be generated to help fund the Credit Union and increase its capital base. Of course the main problem here is Government legislation that seriously hinders Credit Unions when it comes to investments. It is frustrating for the Board of Directors to see a positive surplus just sitting in the Bank when it could be earning interest. The BFAWU has taken up this matter via their Parliamentary Committee.
b  To build Member Loyalty and Membership Numbers

The building of member loyalty is a process which will take place over a number of years. We must work diligently to develop a strong relationship with our members. We feel we have a very good history with a large number of our members; however we are keen for further members to join the Credit Union. One of the best ways in which we hope to achieve this is by providing a first class service which we hope will lead to members coming back for additional services in the future while informing their colleagues of the benefits available at the Credit Union.

We will also continue to focus on Credit Union uniqueness. As has been seen in other recent press announcements, we will promote the fact that the Credit Union is a unique type of financial institution which is designed exclusively for the benefit of its members, particularly those who are struggling to find sources of finance from other areas.

In the period of the last Business Plan the Credit Union provided a total loan allocation of £1,627,716 to members. This broke down as follows:

2013-400 loans totalling £609,832.00
2014-464 loans totalling £526,190.00
2015-406 loans totalling £491,694.00

(Based of the Credit Union financial year January/December.)

c Continual Training of Staff

We will work to provide further training to all staff and Directors. This will enable us to better serve our membership while building better member relations. Earlier in the year we carried out a training session for all board members which covered the main concepts of how a Credit Union should operate. Since then we have been in discussion to arrange further sessions such as anti-money laundering training and training on the database software that the Credit Union uses.

PROJECTIONS

The Credit Union Accountants have assisted the Board Of Directors with financial projections for the years up to December 2018. These projections are appended to this Business Plan. These are a useful tool for the Directors as it enables them to keep track of the financial position of the Credit Union for the period of the Business Plan and enables them to keep abreast of the stability of the Credit Union. It also enables the Board of Directors to look at forward planning in relation to loans and members benefits.

Conclusion
Over the period of the last Business Plan we have seen a rapid and positive turn around in the prospects for and financial strength of the Credit Union. The main aim of the Board of Directors in this next period is to repay the Subordinated Loan of £95K. This is due to commence in September 2017 and there are three ways to do this as follows:

1-to repay the full amount in September 2017;

2-to repay the Loan in two parts, September 2017 and March 2018;

3- To repay the Loan in four quarterly payments commencing September 2017.

The final decision, of course, rests with the AGM in June 2017. However the Board of Directors believes the Credit Union is in a strong enough position to pay off the full Loan in September 2017. That would enable the Credit Union to look forward without any debt and ease the way to an early re-introduction of dividend payments to members.

The Board of Directors have pleasure in placing this business plan before the membership for the coming period. We believe the hard work of the past two Business Plans is now showing fruit and we can look forward to a further period of growth and of support to our members.

November 2016