



Business Plan – 2018-21

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<http://oxfordshirecreditunion.co.uk>

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Oxfordshire Credit Union Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the PRA (Firm Reference Number No. 433137) and licensed by the Office of Fair Trading (No. 585835).

EXECUTIVE SUMMARY

Oxfordshire Credit Union has evolved from an organisation delivering cash based services in a small office with two permanent staff and volunteers to a slim line company with no employees utilising the services of CUS to provide support functions. There was minimal growth of the business in the year ending September 2018 and the company had a net deficit of costs over income. This plan describes the key actions and financial consequences, for the coming three years, to enable the credit union to grow and return to achieving annual surpluses of income over costs.

Our underpinning aim is to build a foundation in the coming year to create a rapidly growing credit union with significant interaction with its members, providing a viable banking product to the people of Oxfordshire.

To do this we will:

1. Work with local employers and other organisations to increase our membership.
2. Work with Oxford Bus Company to offer season ticket loans.
3. Develop an innovative relationship with a white goods supplier to offer competitively priced goods to its members.
4. Work with selected community groups to prudently offer credit to sectors of the community that are often financially excluded.
5. In the medium term employ a Development Officer to drive forward membership growth
6. Recruit more Directors and give them the skills they need through enhanced training.
7. Ensure financial resources are available so that OCU can grow and is protected from adverse market events.
8. Build on the concept of “pop-up” branches that offer advice and information to members and potential members.
9. From 2019 onwards offer members annually increasing dividends on their share accounts.
10. Additional staff will be employed after income levels have risen to point where their cost can be sustained

The Board of Directors
Oxfordshire Credit Union

PART 1 – OVERVIEW

Background 2006 to 2018

Oxfordshire credit union was formed in 2006, initially serving people living and working in the City of Oxford. In 2012 OCU extended our common bond to cover the whole of Oxfordshire.

In 2011 OCU introduced pre-paid debit cards. These cards allowed members to load balances onto the card and then use it either to make payments or to draw out funds via cash-points

In July 2014, The administration functions of OCU were transferred to Credit Union Solutions. CUS is a workers' cooperative.

OCU today

The regulation of credit unions has increased. The Financial Conduct Authority (FCA) is responsible for credit union governance and procedures whilst the Prudential Regulatory Authority (PRA) monitors the finances of credit unions. In line with all credit unions, OCU has strengthened its governance arrangements and the new regulatory regime is placing increasing demands on the volunteer board.

OCU has no paid employees and relies upon CUS for all operational matters and volunteers for all marketing and compliance issues.

In 2018 the board OCU renewed its partnership with CUS for a further three years.

Vision and values

OCU's vision is of a sustainable and ethical business that is an alternative to the traditional financial providers. It wants to provide services for all of Oxfordshire, including but not limited to the financially excluded.

The credit union will develop, allowing local people to save with the knowledge that their money is being recirculated beneficially to others in their community. The traditional banking sector has not served the many people on modest incomes; loans are often not available – or only when secured against assets. Instead a profitable payday industry has evolved to target this group.

OCU will develop as an alternative that is not dependent on external grants for long-term funding. This means expanding the credit union in a managed and planned way to reach more of the people in the common bond area and targeting working people.

OCU will not over-extend itself. It will aim to develop partnerships with organisations across the county. These will include advice centres, housing associations, local councils, the education sector and employers.

The current membership is under 1,000. The population of Oxfordshire is approximately 700,000 and the OCU target is to have 1% of the population as members within 5 years and 2% five years later.

PART 2 – BUSINESS OBJECTIVES 2018-2021

1. Strengthen infrastructure

Given the regulatory demands on the volunteer board are increasing significantly and are likely to increase due to the demands from regulators, a key challenge will be to ensure current and future board members and key volunteers are properly trained to allow them to manage current and future responsibilities. Also, there is a requirement to increase the number of board members and take on volunteers to undertake specific roles.

New potential board members go through a several stage recruitment process including background checks. Appointments are then approved by the subsequent AGM. The FCA requires the board to include members with specific financial skills and recorded responsibilities.

OCU renewed its contract with CUS in 2018 for CUS to provide a full support service to OCU. OCU sees CUS as more than a back office provider. They are a workers' cooperative which shares common values with ourselves. This model of independent credit unions sharing costs and standardising procedures to deliver cost efficient but local services is the best way forward for OCU. To maximise this benefit OCU will play an active role with CUS and the other credit unions to support CUS in developing their services.

2. Increase membership

Increasing and widening the membership is critical to growth. Oxfordshire is characterised by very high living costs and a diverse population. However, many people earn low incomes and work irregular hours. Both groups will be targeted as potential new members, by working with employers, unions, and others. OCU will help its members manage their finances with updated savings and loan products, better credit information and personal support.

The number of members who save via payroll with the credit union has risen in 2017 and OCU will aim to grow this activity.

OCU exists for the benefit of members in the common bond and will aim to gain a closer relationship with the members in the coming years with local "pop-up" community Credit Union branches.

3. Prudently Increase lending

OCU aims to increase the amount of funds lent to all sectors of society in Oxfordshire, including to financially vulnerable groups, whilst keeping bad debts at low levels. This has been a widescale challenge for all credit unions to achieve. OCU have a risk based lending approach and adopted the City Council consultant's report recommendation to waive the historic three month saving requirement for members saving through payroll who wish to take out a loan, for most types of loan. Instead OCU use the enhanced credit checking facilities to manage the risks of non-repayment.

OCU will promote its existing range of loans in the coming year and plan to increase the range from 2019 onwards.

Currently the borrowing process is a manual process, requiring paper forms to be completed, scanned and faxed for input by CUS. This is slow and costly. OCU, working with CUS will streamline the process and provide a more efficient and easier lending process for members.

Enhance regulatory position

OCU is required to maintain capital reserves of at least 3% of their total assets. And as OCU grows this % will increase. Oxfordshire Credit Union aims to maintain a higher capital base than the minimum because:

- Larger capital buffers provide some security in the event of a sudden fall in income or rise in expenditure.
- The larger capital base will allow significant growth in the asset book.
- FCA requirements may change in future.
- The current external circumstances are uncertain and therefore more buffers provide greater resilience.

OCU can build its capital base from future surpluses into reserves and also subordinated loans and deferred shares.

In 2018 OCU increased its subordinated loans from £23,000 to £34,000 and as at end of September 2018 had a capital ratio of 6.37%. The board will continue to monitor its capital ratios and raise additional capital as the business grows or as required.

2018/19 targets:

1. Work with Unison (Oxford City Branch), OBC, Oxford University Health Trust and other employer partners to encourage take-up of credit union services. Develop new marketing material and one to one contacts to target hard to reach individuals.
2. Re-engage with councils across Oxfordshire to demonstrate how an effective credit union can deliver wider benefits in communities. Contact with lead members in each council.
3. Identify key housing association partner in the county and jointly develop a “new tenant move-in offer”.
4. Through an innovative partnership with a white goods supplier OCU will offer loans to white goods at very competitive prices. This Homeware project is expected to be fully operative in early 2019.
5. OCU will work with community groups such as CAP and OMAG to identify areas where it can prudently increase its social lending.
6. Monitor the effectiveness of the lending and levels of arrears by loan type – reporting monthly to Board
7. Overhaul the existing OCU website to make it user friendly and deliver an app version.
8. Agree training requirements with individual Directors and utilise the ABCUL training opportunities.
9. Seek at least three additional Directors and deliberately aim for a diverse board.
10. Monitor capital ratios and raise additional sub-ordinated loans as required.

2019 and beyond targets:

1. Develop new marketing materials based on new loan types.
2. Employ business development officer(s) to enable an increase in marketing of existing loan types
3. Develop greater ways for members to interact with the credit union. “pop-up” branches to help with marketing or loan applications, without having any local cash dispensing capability.
4. Recruit directors and volunteers to be actively recruiting members in each part of the county.
5. Match OCU standards against the ABCUL credit union governance standards
6. Support CUS in its governance structures, managed growth plans and deeper CUS partnership structures
7. Target 4 significant employers in Oxfordshire (BG, Car manufacturer, OUFC and Unions) to

develop a relationship aiming to recruit members, add employees to the common bond and install a payroll deduction scheme.

PART 3 – FINANCES

Background

After a few years of continuing increases in income 2017/18 saw a reduction in the loan book and consequently there was no significant increase in total income from core business compared to previous years. This combined with a significant increase in provision for bad debts lead to a net deficit in the year. However, OCU now benefit from a substantially lower cost base as the two employees of OCU left the organisation during the year.

financial projections based on business objectives

In the 2017/8 year two initiatives were started and are expected to yield significant growth opportunities for OCU in the coming year. These are:

- Homeware Project – an innovative partnership allowing the sale of white goods at competitive prices to members financed by OCU loans.
- Oxford Bus Company – A combination of financing annual season tickets and marketing membership opportunities to staff
- Green Square – work with housing associations and furniture retailers to develop a loan product for targeted lending that enables tenants to buy furniture for their new homes.

The main priority for OCU in 2018/9 will be establishment of a strong infrastructure to enable significant growth from year 2 onwards, this would include recruiting and training more directors and volunteers and clearly building future marketing plans. Costs will be kept low in 2018/9 and there will be no new staff recruitment. Marketing will be modest unless grant money became available to enable an acceleration of our plans.

OXFORDSHIRE CREDIT UNION LTD						
Business Plan 2018 - 2021						
		Actual 2016-17	Latest forecast 2017-18	Annual Budget 2018-19	Annual Plan 2019-20	Annual Plan 2020-21
	INCOME					
	Net Interest	63,102	66,601	72,288	90,360	112,950
	Other income	821	2,618	609	761	952
	Grants	6,500	1,250	3,000	3,000	3,000
	One off income	8,218	0	0	0	0
		<u>78,641</u>	<u>70,469</u>	<u>75,897</u>	<u>94,121</u>	<u>116,902</u>
	EXPENDITURE					
	Administration - CUS	29,925	28,808	28,808	30,000	32,000
	Staff + expenses + Training	8,782	17,549	2,138	17,352	32,587
	Marketing	1,837	1,709	1,709	3,000	3,750
	IT	2,499	1,307	3,962	4,358	4,794
	Bad debts	9,009	19,168	19,168	21,085	23,193
	other	12,232	9,114	9,114	10,025	11,028
		<u>64,284</u>	<u>77,655</u>	<u>64,899</u>	<u>85,820</u>	<u>107,352</u>
	Surplus/deficit	14,357	-7,186	10,998	8,301	9,549
	Dividends paid	3,289	5,370	4,000	6,000	7,500
	Net reserves	<u>11,068</u>	<u>-12,556</u>	<u>6,998</u>	<u>2,301</u>	<u>2,049</u>