

REPORT TO: COMMUNITIES COMMITTEE – 13 SEPTEMBER 2004

REPORT ON: SUPPORT TO DISCOVERY CREDIT UNION

REPORT BY: HEAD OF COMMUNITIES

REPORT NO: 521-2004

1.0 PURPOSE

1.1 This report provides an update on the progress made to date with the development of the Discovery Credit Union Project (DCU).

1.2 It also makes recommendations on the way in which the Council should continue to support the Discovery Credit Union Project, within the current level of resources over the next 3 years.

2.0 RECOMMENDATIONS

It is recommended that Committee:

2.1 Notes the significant progress made by the Discovery Credit Union (DCU) to date.

2.2 Acknowledges the role that DCU plays in tackling poverty and promoting financial inclusion.

2.3 Notes the Communities Department's intention to terminate the secondment of the Credit Union Development Worker post to DCU from 1 June 2004, and to pay the financial equivalent of this post to DCU through grant aid until 31 March 2006.

2.4 Approves the recommended level of financial support to be provided by Dundee City Council to DCU for the period April 2004 to March 2007 as follows:

2004 – 2005 £29,524.00

2005 – 2006 £36,521.00

2006 – 2007 £ 6,000.00

(as per Appendix 1)

3.0 FINANCIAL IMPLICATIONS

3.1 The level of funding support required from Dundee City Council to help DCU become financially independent can be contained within the Communities Department budget for the period 2004-2007.

4.0 LOCAL AGENDA 21 IMPLICATIONS

The recommendations contained within the report will:

4.1 Support the development of a sustainable city-wide credit union.

4.2 Improve credit union members economic position by maximising their personal income.

5.0 EQUAL OPPORTUNITIES IMPLICATIONS

The development of the Discovery Credit Union will provide more equal access to low-cost credit, goods and services.

6.0 BACKGROUND

6.1 DCU offers people who live or work in Dundee access to financial services, in terms of savings and loans products, which are simple transparent, flexible and low cost.

6.2 DCU builds upon the success of the community-based credit unions by increasing Dundee citizens access to financial services, thus enabling members to enjoy a better standard of living.

6.3 Committee Report Numbers 329-2000, 571-2000, 718-2001, 733-2002 and Agenda Note AN278-2002 provide the background to the project.

7.0 PROGRESS

7.1 Registration

DCU was registered by the Financial Services Authority (FSA) in September 2003 and commenced trading from 1 October 2003.

7.2 Management

A Board of Directors has been appointed to oversee the strategy, direction and management of the Credit Union. The Board of Directors meets monthly and is responsible for all operational decisions with regard to the membership.

On a day-to-day basis, the Credit Union Manager is responsible for the management of the Credit Union but otherwise reports to the Board of Directors.

7.3 Regulation

The FSA regulates and oversees the Financial Services Sector. The role of the FSA is to ensure that credit unions comply with the regulatory framework.

7.4 Premises

The main office is located in Central Library, Wellgate Centre, Dundee. The premises are leased from the Communities Department for a nominal annual fee of £2,000.

7.5 Staffing

The staffing consists of:

Clerical/Admin:	1 Full-time staff member
Manager:	Part-time, 2 days per week
Schools Officer:	1 Full-time staff member
Development Worker:	1 Full-time staff member (seconded to DCU from Communities until December 2005)

The Credit Union Development Worker secondment became vacant on 1 June 2004. The post remains vacant, at the present time.

A full-time manager is required and this post will be filled by August/September 2004.

7.6 Payroll Deduction – Links with Employers

Approaches have been made to several of the larger employers to provide credit union membership/savings to employees through the convenience of payroll deduction. A number of employers have indicated their willingness to participate and include:

- NHS Tayside
- Torith
- Dundee Rep
- Albacom
- Concept
- InStep Initiatives

Some 14,500 leaflets have been distributed to NHS staff and it is hoped that at least 500 new members will be recruited by the end of 2004.

7.7 Local Collection Points

Local collection points providing convenient access to credit union services have been established primarily in the SIP communities. The local volunteers who manage the collection points benefit from elementary financial training as well as supporting the local community to gain access to essential financial services. Collection points are located in the following premises:

- Ardler Complex
- Whitfield Activity Complex
- Kirkton Community Support
- Fintry Library
- Charleston Library & Learning Centre
- Menzieshill Centre

There are plans to develop further collection points; the level of collection point activity requires to be managed within the resources of the credit union staff and volunteers time.

7.8 Affiliation of Community Based Credit Unions

Dundee West and Finmill Credit Unions, whose "Common Bonds" were exclusive to their geographic areas, were merged with Discovery Credit Union Ltd. The transfer of both former community credit unions was completed in the early part of 2004, their former members now benefiting from the greater security and resources that comes with a credit union that serves a "live or work in Dundee" Common Bond.

7.9 Junior Savers Schools Initiative

A new staff member was appointed in June 2004 to promote schools development work. This post has been funded by the Esmee Fairbairn Foundation.

This initiative which follows from two pilot schemes sited at Downfield and Sidlawview Primary Schools, will train and support youngsters and adult volunteers in operating junior savings clubs and address issues relating to financial education/literacy as per the 5-14 school curriculum.

7.10 Membership

DCU currently has 500 members. It is anticipated that the Credit Union will attract 500 new members a year, building towards a membership of around 2,000 by June 2007.

8.0 DUNDEE CITY COUNCIL SUPPORT

8.1 The premises are leased from the Communities Department for a nominal annual fee of £2,000.

8.2 DCU have requested permission that the seconded post of Credit Union Development Worker currently vacant be paid as a grant equivalent of the salary until March 2006. The grant would be used to employ a full-time manager.

8.3 DCU have also requested an increase in their administration grant from £4,500 to £6,000 for the financial years 2005-06 and 2006-07.

8.4 DCU should become financially independent by July 2006, if the Credit Union receive the recommended level of financial support (see Appendices 1 and 2).

9.0 CONSULTATION

9.1 Consultation has taken place with the Chief Executive, Depute Chief Executives (Finance and Support Services), and the Director of Economic Development have been consulted in the preparation of this report.

10.0 BACKGROUND PAPERS

10.1 None.

**Signed: Stewart Murdoch
Head of Communities**

Date: 3 September 2004

DISCOVERY CREDIT UNION LTD
SUPPORT REQUESTED FROM DUNDEE CITY COUNCIL

Financial Year 2004/05

	£
Salary Costs June 2004 – 31 March 2005	25,024.00
Revenue Grant	4,500.00
	<u>29,524.00</u>

Financial Year 2005/06

Salary Costs April 2005 – March 2006	30,521.00
Revenue Grant	6,000.00
	<u>36,521.00</u>

Financial Year 2006/07

Revenue Grant	<u>6,000.00</u>
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Discovery Credit Union Ltd

3 Year Financial Summary

1 July 2004 - 30 June 2007

	Jul 04 - Jun-05 £	Jul 05 - Jun-06 £	Jul 06 - Jun-07 £
Forecast Income			
Opening Grants Balance/C'Fwd	19,690	25,541	17,691
Dundee City Council - Salary Grant	29,928	20,826	-
DCC Revenue Grant	6,000	6,000	-
ERDF Claims	25,416	29,537	-
Loan Interest	13,786	29,393	45,496
Levis Grant	-	-	10,000
From Reserve	-	-	-
Total Forecast Income	94,820	111,297	73,187
Forecast Expenditure	55,493	64,213	70,689
Operating Surplus	39,327	47,084	2,498
To Reserve	13,786	29,393	2,498
Grants Remaining (c/fwd to next year)	25,541	17,691	-
Balance on Reserve	13,786	43,179	45,677

Notes

1. The level of support requested from DCC is the Salary Grant and the DCC Revenue Grant.
2. ERDF Claims for Year 1 and Year 2 are calculated at 46% of eligible expenditure incurred in the period.
3. Expenditure in Year 1 and 2 is forecast to be met from grants allowing loan interest generated to be used to build up the reserves which is a statutory requirement under Financial Service Authority Rules.
4. The balance on the reserve of £45,677 at the end of Year 3 will produce a projected capital assets ratio of 4.5%, which fulfils FSA requirements. The reserve consists of credit union generated income over the 3 year period.