

A CREDIT UNION FOR MID BEDFORDSHIRE

**Research and feasibility study
into the development of a credit union in Mid Bedfordshire**

July 2007

This report has been produced by **Infotrain**
on behalf of the **Mid Bedfordshire Credit Union Focus Group**

Mid Bedfordshire Credit Union Focus Group



Bedfordshire
county council



in Bedfordshire



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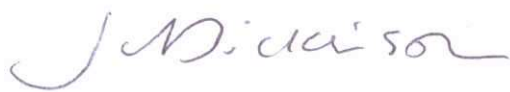
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FOREWORD

We are very pleased to have been able to support the research into setting up a credit union service in Mid Bedfordshire.

This study has highlighted the positive impact that credit unions can make in tackling financial exclusion and the role that such a service could have in alleviating the problems caused by the lack of financial services in Mid Bedfordshire. We look forward to working with the key stakeholders to take the recommendations forward.



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EXECUTIVE SUMMARY

Introduction

This research and feasibility study has been undertaken by Infotrain on behalf of the Mid Beds Credit Union Focus Group. The work was funded by Mid Beds District Council, Bedfordshire County Council and Aragon Housing Association.

The aims of the study were to:

- (a) Assess what would be required to create a community credit union for Mid Beds
- (b) Identify the potential for linking up with other existing local credit unions
- (c) Examine ways in which the services of a credit union can be delivered to those who most need them
- (d) Determine the level of community interest and capacity
- (e) Ascertain the level of funding and support needed to assist the development work

As part of this work we have undertaken

- Comprehensive desk-top research into credit unions
- Detailed discussions with potential partners
- Various consultation with other local stakeholders

Research findings

Key findings from the research can be grouped under the following headings:

Credit unions - general information

- Credit unions are well established financial institutions controlled by the Financial Services Authority
- There are over 500 credit unions in the UK with membership of over 500,000
- Credit unions are seen as an important tool in tackling financial exclusion e.g. lack of access to financial services, rising personal debt
- Credit unions can provide a wide variety of beneficial services for the community e.g. low cost loans, savings accounts and financial education
- The average time to set up a new credit union is 18 months - 2 years

Credit unions - current trends

- The recent trend is for existing credit unions to become bigger and more sustainable by extending their common bond into new areas - and the benefits of larger credit unions is supported by various research and by ABCUL (the largest credit union trade association)
- Rural credit unions are now becoming sustainable but innovative methods need to be introduced to deal with the additional access problems inherent in rural areas
- The Government is currently reviewing credit union legislation and is proposing to make the rules on common bonds more flexible to encourage the expansion of credit unions, and credit union membership, in new areas.

The benefits of developing a credit union in Mid Bedfordshire

- There is a clear need for a credit union in Mid Beds
 - A growing number of people are unable access financial services and this general problem is accentuated by the rural nature of an area like Mid Beds
 - There are pockets of higher deprivation within some urban wards and hidden rural deprivation in the district
 - There are growing problems with personal debt in Mid Beds - for example, 30% of cases at Mid Beds CAB now relate to debt compared to 10% three years ago
- The development of a credit union fits in with policies and strategies of local councils and public bodies e.g. Mid Beds Local Strategic Partnership
- Providing credit union services in Mid Beds will improve access to financial services for local residents. This will bring Mid Beds into line with many areas in the country (including the local areas of Bedford, Dunstable and other neighbouring areas to Mid Beds) that already have successful credit unions

Support for a credit union in Mid Bedfordshire

- There is general support for a credit union from a wide variety of stakeholders in Mid Bedfordshire including the local authorities, housing associations and the voluntary sector
- A credit union in the area would provide various opportunities for increase partnership between key partners in the area such as Mid Beds District Council, Bedfordshire County Council, Aragon Housing Association and Mid Beds CAB
- Mid Beds District Council, Bedfordshire County Council and Aragon Housing Association have all provided funding for this research and feasibility study, and further funding for development work may be available in the future

NB Full details of the research findings on credit unions are in **Section 2** of this report

Conclusion

A summary of the conclusions from the research, discussions and consultation undertaken in this feasibility study are that:

1. There is general support for the development of a credit union in Mid Beds

Although Mid Beds does not have high levels of deprivation there is still a need for a credit union because:

- There are pockets of higher deprivation within some wards and some hidden rural deprivation
- Financial services are relatively hard to access for some groups of people in the area
- There are increasing levels of personal debt problems in the area
- Credit union services are available in neighbouring areas but not in Mid Beds
- The development of a credit union is seen as an important outcome in the community strategies of local councils and other key organisations

2. A new credit union should not be set-up in Mid Beds

Trying to start an entirely new credit union in Mid Bedfordshire would be very time consuming, costly and financially risky given the small size of the district and the potential number of members. Therefore the overriding conclusion of this study is that, instead of starting a new credit union, an existing credit union should be encouraged to extend its common bond into Mid Bedfordshire.

3. Bedford Credit Union should be invited to extend its common bond into Mid Bedfordshire

Bedford Credit Union is a well established credit union with over 1,000 members that has built up good structures and working practices, and has an excellent reputation. BCU already has an experienced Board of Directors and trained staff. As BCU is also based in Bedfordshire the extension of its common bond would seem to be a logical and natural step rather than trying to extend a common bond across county borders.

4. Credit union services in Mid Beds should cover the whole of the district

A common bond that only covered selected parts of Mid Beds (e.g. East Mid Beds) would not result in a viable credit union as there would not be sufficient potential members. The conclusion therefore is that any credit union services developed in Mid Beds should cover the whole of the district. This would make the credit union more inclusive and help to achieve a mix of members from more affluent areas as well as more deprived areas.

5. Strong partnership support is needed for a new credit union

To be a successful "quality" credit union it is essential to have strong support, and sponsorship, from key partners such as local authorities, large employers and other key organisations in the area.

NB Details of the consultation with stakeholders is in **Section 3** of this report and a more detailed explanation of the conclusions is in **Section 4**.

Recommendations

Over the next few months it is recommended that the following steps should be taken to develop a credit union in Mid Bedfordshire:

Summer 2007

The Mid Beds Credit Union Focus Group should:

- 1. Distribute this research and feasibility study to all interest parties**
- 2. Write to Bedford Credit Union to formally ask them to extend their bond to cover the whole of Mid Beds.**
- 3. Help develop a Mid Beds Credit Union Steering Group**

Autumn 2007

The Mid Beds Credit Union Steering Group should support Bedford Credit Union to:

- 4. Draft a Business Plan (for the extension of BCU's common bond into Mid Bedfordshire)**
- 5. Submit an application to the FSA (for the extension of BCU's common bond to cover Mid Beds.)**
- 6. Apply for longer term funding to help the development of a credit union in Mid Beds**

Winter 2007/08

Assuming the application to the FSA (see recommendation 5 above) and the applications for funding (see recommendation 6 above) are successful, the Mid Beds Credit Union Steering Group should support Bedford Credit Union to:

- 7. Plan for the launch of the credit union in Mid Bedfordshire in Spring 2008 - including the recruitment of a Development Officer and a team of volunteers**

Spring 2008

Bedford Credit Union should:

- 8. Take over full responsibility (from the Steering Group) for the future development of credit union services in Mid Bedfordshire**
- 9. Formally launch the new credit union service in Mid Bedfordshire**

NB A more detailed explanation of the recommendations is in **Section 4** of this report

Financial implications

The financial implications of adopting the above recommendations are:

- **Recommendations 1-2** will cost about £400. This will be funded by Mid Bedfordshire District Council.
- **Recommendations 3-8** will cost about £4,700. This will be funded by Bedfordshire County Council.
- **Recommendations 9** will cost in the region of £125,000. This funding will need to be guaranteed for a reasonable period before the work on developing a credit union in Mid Bedfordshire can begin.

The total costs of the development work (i.e. recommendation 9) are estimated to be:

Year 1	£44,132
Year 2	£38,007
Year 3	£40,287
Total	£122,426

NB The above costs presume that some office space, and use of space at collection points, will be provided free of charge by local partners

If a contingency figure of £2,574 (approximately 2%) is added, this brings the total to **£125,000** over 3 years.

The long-term aim will be for the core credit union services in Mid Bedfordshire to be self-financing and not be reliant on external funding.

NB Further details of the financial implications are in **Section 4** of this report and in **Appendices 3 and 4**.

1. INTRODUCTION

1.1 Background to the research and feasibility study

The **Bedfordshire 'Cost of Debt' Conference**, which was held in July 2005, identified a need for better access to affordable financial services in Mid Bedfordshire. At the conference, delegates specifically suggested setting up a credit union in the Mid Beds area as there is considerable evidence, both locally and nationally, that credit unions provide one of the best means of addressing financial exclusion.

Following the 'Cost of Debt' Conference a range of key stakeholders began meeting as a **'Mid Beds Credit Union Focus Group'** to progress this new initiative. The Focus Group's initial aim was to look into the possibility of creating a sustainable credit union for the people who live or work in the Mid Beds district.

The members of the Focus Group are:

- Aragon Housing Association
- Bedfordshire County Council
- Bedfordshire Tackling Poverty Together Group
- CVS Mid & North Beds
- Mid Bedfordshire Citizens Advice Bureau
- Mid Bedfordshire District Council

In November 2006, the Focus Group invited local organisations to submit a proposal to undertake a feasibility study to assess the need for a credit union in Mid Bedfordshire. The contract for this work was given to Infotrain, a local consultancy company that is very active in the anti-poverty / social exclusion sector in Bedfordshire.

1.2 Aims of the feasibility study

The aims of the feasibility study, as outlined by the Mid Beds Credit Union Focus Group were to:

(a) **Assess what would be required to create a community credit union for Mid Bedfordshire**

This would be done initially through desk-based research into credit unions in order to gather information on the credit union movement and how credit unions function - especially in rural areas. This research would then help in the development of a proposal on how to set up a credit union in Mid Bedfordshire. The proposal would include the key activities, milestones and timescale necessary to set up a credit union, bearing in mind the economic, social and environmental profile of Mid Bedfordshire (predominantly rural with several market towns).

(b) Identify the potential for linking up with other existing local credit unions

Interviews with neighbouring credit unions would need to be undertaken to explore the advantages and disadvantages (and potential support) for extending their common bond to include Mid Bedfordshire or parts of the district. The interviews would also provide information about the resources and time needed to set up a local credit union.

(c) Examine ways in which the services of a credit union can be delivered to those who most need them

Mid Bedfordshire is a rural area with dispersed communities. It has pockets of disadvantage throughout the district and also in the market towns of Flitwick, Sandy and Biggleswade. A key part of the work would be to give guidance on how a credit union in Mid Beds could be set up to ensure fair access whilst targeting those most in need.

(d) Determine the level of community interest and capacity

To make sure that a credit union could be sustainable it would be important to determine the level of interest and support from the community and voluntary groups both as credit union users and as volunteers/helpers.

(e) Ascertain the level of funding and support needed to assist the development work

It would also be important to identify lead agencies, and likely sources of funding (project and core), to support the development and operation of a Mid Beds Credit Union.

1.3 Methodology

The research and feasibility study has been divided into three distinct stages:

(a) Desk-top research

This work involved:

- Collating existing information on the economic, social and environmental profile of Mid Bedfordshire.
- Conducting research into credit unions (using information obtained from the internet, written publications and specific telephone conversations).
The research covered:
 - history, functions and development processes of credit unions in the UK;
 - services provided by credit unions operating in rural areas (similar to Mid Bedfordshire);
 - location and functions of credit unions in the Eastern Region with particular reference to the neighbouring credit unions based in areas surrounding Mid Bedfordshire.

(b) Discussions with potential partners

This work involved:

- Arranging meetings with credit unions in neighbouring areas to Mid Bedfordshire to gather more information about their services and to explore the possibility of them extending their common bond to include the whole, or part(s), of Mid Bedfordshire.
- Consulting with potential partners in Mid Bedfordshire to ascertain their ideas for future links with, and support for, the proposed credit union.

(c) Consultation with other local stakeholders

This work involved:

- Sending an information sheet and a questionnaire, on the proposed credit union in Mid Bedfordshire, to local voluntary groups and other interested parties.
- Arranging a consultation event on 18th May to discuss the provisional plans for a credit union and to determine the level of interest and support from the local community.

1.4 Project Management

Infotrain's work on the research and feasibility study was overseen by the Mid Beds Credit Union Focus Group, which is chaired by Jill Dickinson (from Mid Beds District Council).

During the project a series of meetings were arranged with the Focus Group to plan and report back on the research work.

An **action plan for the research and feasibility study** was prepared at the beginning of the project by Infotrain and presented to the Focus Group at a meeting on **14th December 2006**.

Following the desk-top research and initial discussions with key stakeholders, a **draft report** on the research was presented to the Focus Group on **23rd February 2007**.

This **final report** was completed after the consultation event with stakeholders on 18th May. The recommendations were presented and agreed at the Mid Beds Credit Union Focus Group meeting on **18th June 2007**, and the report was finalised for printing and distribution in July.

1.4 Acknowledgements

Thanks need to be given to a number of people and organisations that have been involved in this research and feasibility study.

A list of **acknowledgements** can be found in **Appendix 1** of this report.

2. CREDIT UNIONS

2.1 Overview

Credit unions are local, not-for-profit, ethical organisations that offer savings schemes and low interest loans to their members.

A credit union is a financial co-operative owned and controlled by their members.¹

“Credit unions are businesses and must operate in accordance with sound business practices. However, credit unions are also social and mutual organisations, which take into account their members’ needs, particularly those who are financially excluded”.²

In the UK credit unions hold over £500 million of assets for over 500,000 members.³

Credit unions - basic information

Who runs credit unions?

Credit unions are democratic, mutually owned organisations. A credit union is managed and controlled by a Board of Directors which is elected by the membership at the Annual General Meeting. Each member of a credit union has one vote, regardless of the amount of their savings. The Board of Directors are all volunteers and receive no compensation for their services.

Who regulates them?

Credit unions operate in Britain under the provisions of the Credit Unions Act 1979. They are regulated and supervised by the Financial Services Authority (FSA), which is also responsible for the regulation of all other financial services providers in the country.

Services to members

Credit unions are *for service rather than profits*. The interest charged on loans pays for the running costs, and members may receive a dividend on their shareholding out of any surplus remaining, after a contribution has been made to reserves. The dividend may not, by law, exceed a rate of 8% per annum.

¹ ABCUL (Association of British Credit Unions Ltd) definition of a credit union

² ACE Credit Union Services – www.aceus.org

³ Credit Union News, Association of British Credit Unions Limited, March 2007

Each credit union has a "common bond" which determines who can join it. The common bond may be for people living or working in the same area, people working for the same employer, or people who belong to the same group or association, such as a church or trade union. The approval of the common bond, and the activities of credit unions, is regulated by the **Financial Services Authority**.

Financial Services Association (FSA)

Key features of the FSA regulatory regime for credit unions are :

- Credit unions have to meet a basic test of solvency. Additional capital requirements are set for larger credit unions, reflecting their potentially greater impact on consumers should they fail.
- Credit unions are required to maintain a minimum liquidity ratio.
- Key personnel running credit unions have to meet the standards set out in the FSA's rules for Approved Persons.
- Senior management of a credit union must take reasonable care to plan, direct, manage and maintain systems and controls as are appropriate to the business of their credit union.
- Credit unions are required to comply with our rules on money laundering. These include requirements for appointing a MLRO, Identification of members, training, internal and external reporting.
- Credit unions are required to operate an effective complaints scheme with members having access to the new Financial Ombudsman Service if they are not satisfied with the way their complaint has been handled.
- Credit unions have access to the Financial Services Compensation Scheme providing members with deposit protection for the first time.⁴

In recognition of the special characteristics of credit unions and the fact that many are run by volunteers the FSA have created a specialist sourcebook (CRED), which summarises most of the parts of the FSA Handbook that are relevant to credit unions into a user-friendly manual. This is available on the FSA website – www.fsa.gov.uk .

On 30th September 2006, there were 557 credit unions in Great Britain registered with the Financial Services Authority (FSA). These credit unions provide financial services to over 580,000 people (including juvenile depositors). Savings in credit unions stood at over £498 million and there was over £336 million out on loan.⁵

⁴ From FSA website – www.fsa.gov.uk

⁵ Annual Statistics on Credit Unions, FSA, 2006

2.2 History and development of UK credit unions

Credit unions operating in the UK today are extremely varied in their size, membership and in the range of services they offer. But they all share a basic philosophy of self-help and mutual aid with the worldwide credit union movement.

There are now 40,258 credit unions in 79 countries throughout the world, enabling 118 million members to access affordable financial services. In America and Australia around 30% of the population belong to a credit union and in Ireland it is 50%. The movement is also growing fast in Eastern Europe, parts of South America, Africa and the Far East.

The ideas and values which are central to how credit unions work were developed in the 19th century with the first credit union being set up in Heddesdorf, Germany in 1869.

Since then credit unions have developed in two different but connected directions – in Europe they became the European co-operative banks and are now financial providers that serve the general public. However, in North America a different model emerged, using the name 'credit union'. These co-operatives were based on a strong common bond that created a sense of unity with its members and were more local in nature. Credit unions in Britain and Ireland have developed out of this North American model.

Following on from the popularity of credit unions in Ireland, early credit union pioneers started to develop credit unions in Britain in response to social and economic needs.

Before 1979 there was no legal structure for UK credit unions. Some of the early credit unions chose to register under the Companies Act and some under the Industrial and Provident Societies Act. In April 1979, however, the passing of the Credit Unions Act introduced a new framework for the future development of credit unions. From July 2002 the FSA (Financial Services Authority) became responsible for the regulation of credit unions in Great Britain, and credit unions are now subject to the requirements of the Financial Services and Markets Act 2000 and the rules which are contained in the FSA Handbook.

Traditionally credit unions in the UK have been community based to serve relatively small areas with high levels of deprivation. According to the FSA, approximately two thirds of the credit unions in the UK are community based. However, in terms of individual membership around two thirds are members of employee credit unions as these tend to be much larger.

Traditional credit unions are basically small and friendly savings clubs that are able to help members with a highly personalised service. However, there are disadvantages with this type of credit union with regard to sustainability because:

- Growth is often slow, or at a standstill, through limited recruitment of members
- There is a limited impact on economic regeneration and the community it is trying to serve
- They are difficult to sustain in terms of self-funding from membership savings and loans
- They have a small volunteer base

A research report entitled “Towards Sustainable Credit Union Development” undertaken in 1999 by Liverpool John Moores University in association with ABCUL (Association of British Credit Unions Ltd), revealed the flaws and difficulties in the traditional development of credit unions. This research has led to the development of a new, business and market oriented approach to credit unions in this country⁶.

The research report also emphasized the need for credit unions to be more inclusive to be successful - credit unions need to recruit members from middle income as well as low income groups and to do this a credit union has to be perceived as a quality financial institution.

The research listed the following as the way forward for credit unions in Britain. Credit unions should:

- Operate more like a professional financial service
- Re-define their common bonds to create larger markets
- Use (more) paid staff to carry out day-to-day activities
- Redefine the role of volunteers - and use them for policy, promotion and direction etc rather than day to day administration
- Offer a wider range of services and products e.g. insurance, bill paying, credit cards
- Amalgamate with other credit unions (by extending common bonds).

ABCUL, which is the membership organisation for 85% of credit unions, now advocates that a new credit union is set up only if the following key elements are in place:

- A solid business plan
- Effective leadership – a volunteer board and committees that consist of skilled and motivated individuals
- Support and sponsorship from local institutions and community groups.
- A large and diverse common bond

The ‘new model’ or ‘quality’ credit unions that have developed over recent years are succeeding in having a significant impact socially as well as economically on the communities they serve.

The prime example of a ‘new model’ credit union is the Leeds City Credit Union (LCCU). This is the largest credit union in England in terms of membership, savings and loans. In 2004 LCCU had 12,303 adult and 1,562 junior members. Members’ shares stood at approximately £10,407,786 and unsecured loans of £11,988,274.⁷

⁶ Towards sustainable credit union development – A research report by Paul A Jones, Liverpool John Moores University, December 1998

⁷ North Yorkshire Credit Union Feasibility Study, John Chell and Terry Jacques, January 2006,

2.3 The need for credit unions

There is now growing support, locally and nationally, for credit unions as they are ideally placed to help the financially excluded and keep money in local communities. They can also make a significant contribution to regeneration and community economic development, if they are developed and promoted as professionally managed, volunteer directed community-owned and controlled financial institutions. Credit unions can also have a positive impact in regions, especially small towns and rural areas, where post offices and banks are closing local branches.

The benefits of credit unions are that they provide a:

- solution based on self-help rather than state handout;
- community-owned and community-based solution;
- social framework as well as a financial one;
- means of ensuring that money is kept within the local community;
- solution based on tried and tested structures both in this country and others, credit unions have shown themselves to be popular and successful.

In conducting this research over a few months we have come across various organisations and networks directly supporting and promoting credit unions including: Church Action on Poverty; Debt on your Doorstep Campaign; Facilitating Access Campaign; Social Enterprise - East of England; Citizens Advice; various housing associations; various local authorities; and central Government.

In fact the Government has just last month issued a consultation document on the future of credit unions in the country. One key proposal is to make the rules on common bonds more flexible to encourage the expansion of credit unions, and credit union membership, in new areas.⁸

2.3.1 Tackling financial exclusion

The Government has identified financial exclusion as one of the most important aspects of a cycle of deprivation. The credit union movement provides one of the best-targeted means of addressing this as credit unions:

- Help people learn the value of making regular savings.
- Use this pool of savings to provide a source of low-cost credit. This is particularly valuable for those who have difficulty borrowing at affordable rates of interest from mainstream financial providers and might otherwise turn to loan sharks.
- Can provide a bill-payment facility which helps people without bank accounts to benefit from purchasing their utilities in the most cost-effective manner.
- Provide free life insurance and loan protection insurance to their members.
- Try to educate their members in the wise use of money. Credit unions can play a valuable role in equipping people to be effective and responsible users of financial services.⁹

⁸ Press Release, HM Treasury, 21 June 2007

⁹ ABCUL website - www.abc.ul.org – financial exclusion

One in 12 households in the UK do not have a bank account and so have to pay more for access to cash and credit, and may not be able to access some goods and services such as mobile phones. People without a bank account may also find it more difficult to move off benefits into work, as most employers insist on paying earnings direct into a bank account.¹⁰

In a recent report by the Social Justice Policy Group (which provides policy recommendations to the Conservative Party on issues of social justice) concerns were raised about low-income families who are excluded from the mainstream financial sector and yet need access to credit. This credit is sometimes obtained through dubious sources such as door step lenders and "loan sharks". The report links debt with social problems such as family breakdown, alcohol and drug addition and educational failure. It maintains the need for greater accessibility to savings for low-income families and the need to strengthen the role of credit unions.¹¹

As part of the Government's wider policy development work on access to financial services a Credit Unions Taskforce was established by the Treasury in July 1998, with a remit to explore ways in which banks and building societies can work more closely with credit unions to increase their effectiveness and to look at ways to encourage the continued expansion of the movement.

In a report for the Treasury by the task force it was acknowledged that:

"Whilst the movement embraces people from a broad spectrum of society, where they are successful, credit unions are part of the solution to the problem of social exclusion, of which financial exclusion is both a cause and a consequence".¹²

Credit unions help combat financial exclusion because they:

- are particularly open to low income groups;
- instill in their members a sense of self-reliance, and an understanding of the virtues of thrift;
- provide low cost credit.

2.3.2 Growth in personal debt

Another key issue at the moment in the country is the growth in personal debt. This is illustrated in a research report by Citizens Advice.

Following a survey of their bureaux, Citizens Advice revealed that CABx were approached for help with 15% more debt problems in January 2007 than in January 2006. The problems showed increases in debts relating to everyday expenses such as fuel, telephone, water supply and sewerage costs and council tax – this reflects recent increases in prices for basic essentials. Debts relating to credit, store and charge cards still remain high, with the survey bureaux reporting more than 19,000 new consumer credit debt problems in January 2007. Bank and building society overdraft problems also increased by 15%.¹³

¹⁰ Press Release – Citizens Advice Bureaux – 20/9/2006

¹¹ Breakdown Britain: interim report on the state of the nation by the Social Justice Policy Group, 2006

¹² Credit Unions of the Future Taskforce Report - H M Treasury November 1999

¹³ Press Release – Citizens Advice Bureaux – 16/2/2007

Following funding from Barclays Bank the CAB and credit unions have joined forces in 2006 to bring more face-to-face money advice and affordable financial services for people on low incomes to some of the most deprived parts of the country. The CAB and ABCUL are also each receiving investment from the Government's Financial Inclusion Fund to increase the supply of free, independent money advice and affordable loans.

2.4 Services provided by credit unions

Credit unions offer a range of financial services for their members that include:

- **Savings schemes** – including current accounts, savings accounts, and accounts for children. Special savings schemes such as Christmas savings accounts are also provided. Savings can be as much or as little as a member would like, and can be made at pay points or direct from wages.
- **Low interest loans** - the cost of a credit union loan is capped by law in the UK at no more than 2% a month. Credit unions are now moving towards applying different rates for different clients. Credit union loans come with no hidden charges and no penalties for repaying the loan early.
- **Free insurance** – loan protection insurance is built into loan arrangements at no extra cost to the member. This insurance covers the amount of any outstanding credit union loans if a member dies. Additionally a free life insurance scheme provides a lump-sum if a member dies. The amount paid depends on the member's age and amount of savings they had.

Some larger credit unions, that are appropriately qualified and licensed, can provide services designed for people who need help to manage their finances or who are struggling with debt repayments, for example:

- **Budgeting accounts / bill paying service** – these allow a member to pay in a fixed amount each week/month which is used to pay agreed household bills on the member's behalf.
- **Benefits Direct accounts** – in 2004, ABCUL secured a national agreement with the DWP which enables credit unions to accept benefit payments directly on behalf of their members.
- **Consolidation of other loans** - A credit union may also be able to provide a loan to a member to pay off debts for which they are paying very high interest rates. The member can then repay the credit union instead, at a much lower rate of interest.

Recently ABCUL has been working on a pilot scheme, with a number of credit unions, to develop a current account for credit union members. This service is provided in partnership with the Co-operative Bank.¹⁴

Many credit unions also work in partnerships with their local Citizens Advice Bureau to provide face-to-face money and debt advice services.

¹⁴ ABCUL Annual Report, 2005/06

2.5 National associations for Credit Unions

There are three recognised associations for credit unions in the UK:

- Association of British Credit Unions Ltd (ABCUL)
- UKCreditUnion Ltd
- ACE Credit Union Services

2.5.1 Association of British Credit Unions Ltd

ABCUL is the principal national trade body for credit unions in England, Scotland and Wales. At September 2006, over 70% of all credit unions in Britain were members of ABCUL, and those credit unions represent over 80% of the individual members of all credit unions in the country.¹⁵

ABCUL

Support Services

ABCUL provides a full range of support services to its member credit unions, including technical support, advice, training and conferences, products, operational manuals and affinity schemes. Members receive regular information through ABCUL's *Credit Union News* and member mailings.

ABCUL's insurance programme provides members with the Fidelity Bond required by law, and with life savings, loan protection and other insurance services.

Representation

ABCUL represents credit unions at a national level through regular contacts with Government, Members of Parliament (including the Scottish Parliament and the Welsh Assembly Government), the Financial Services Authority, the news media and other organisations that are interested in credit unions.

ABCUL is currently the only national trade body which represents British credit unions at an international level through its membership of the World Council of Credit Unions (WOCCU).

Democracy

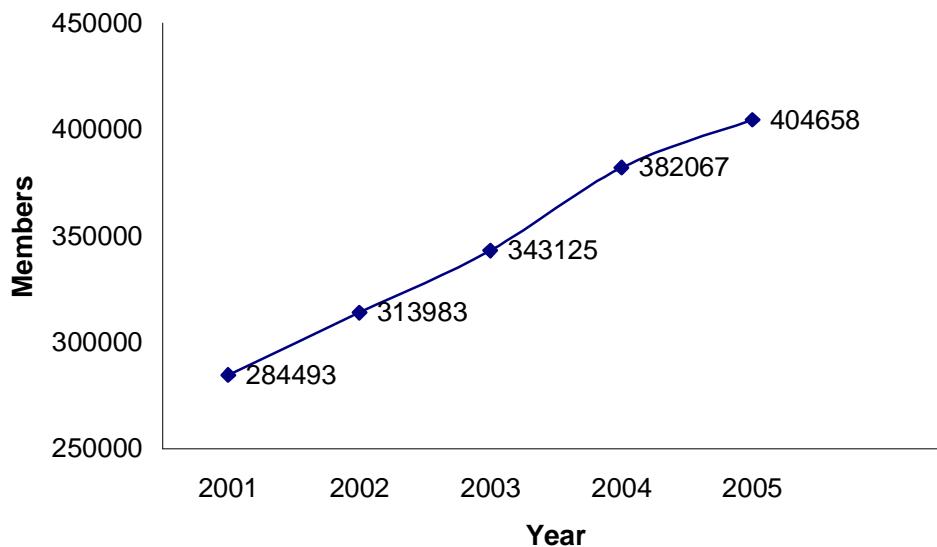
ABCUL is a non-profit making, co-operative organisation owned and controlled by its member credit unions. It is registered as an Industrial and Provident Society. The members elect a board of directors who are responsible for directing the association. ABCUL employs a number of staff for the delivery of services to members and to study groups. ABCUL's head office is in Manchester, with other offices in Glasgow, London and the West Midlands.

Credit unions are also organised into Chapters. A Chapter is a regional grouping of credit unions which is part of the structure of ABCUL. Chapters hold regular meetings where member credit unions can discuss issues of interest and share information. Chapters also arrange training and will often organise social events for credit union members to attend.

¹⁵ ABCUL Annual Report, 2005/06

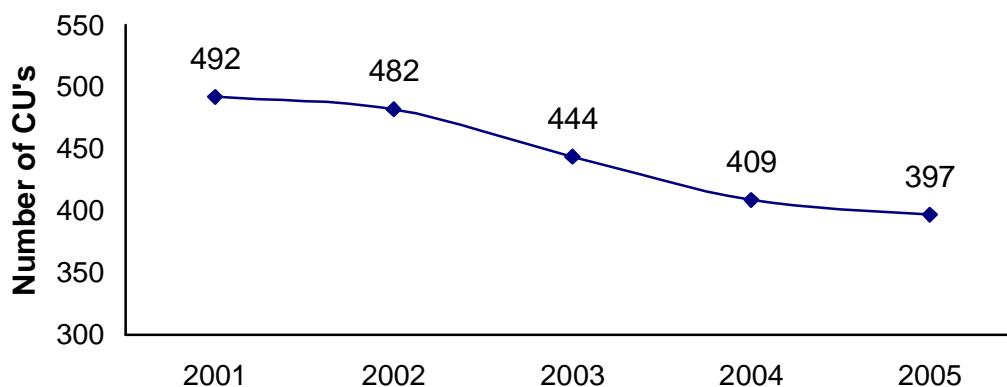
Membership in ABCUL credit unions has trebled since 1995, when it stood at 130,000. In the same time period, money saved by credit union members has increased from £57 million to £380 million. The average ABCUL credit union member had £439 in shares in 1995, and now holds over £939, an increase of over 200%.¹⁶

ABCUL CREDIT UNION MEMBERSHIP 2001 - 2005



Even though credit union membership is growing, the number of credit unions, however, continues to fall across the country, as small credit unions join forces to bring credit union services to larger areas.

ABCUL CREDIT UNIONS 2001 - 2005



¹⁶ From the ABCUL website - www.abc.ul.coop

Despite this fall, new credit unions are continuing to launch; city and borough-wide credit unions have recently launched in York, Oxford, Hackney and Lambeth. Credit unions across the country are also expanding their common bonds to enable them to offer services across a wider area; Northumberland, Worcestershire and Suffolk are just some of the areas to gain full credit union coverage recently.¹⁷

2.5.2 UKCreditUnions Limited

UKCreditUnions (UKCU) is a co-operative based, national trade association for authorised and registered credit unions, credit union steering groups, savings groups, mutual aid societies and credit union support organisations.

The UKCU has evolved from the Association of Independent Credit Unions (AICU). The AICU represented credit unions in England and Northern Ireland. In April 2004 UKCU was launched with a remit to offer its services to any credit union in the whole of the UK.¹⁸

2.5.3 ACE Credit Union Services

ACE (Access to Credit Unions for Everyone') is committed to helping credit unions to start up or to achieve their goals in terms of further progress and development. They offer their services as an alternative to other credit union associations and are recognised by the FSA.

ACE aims to offer to credit unions a high standard of support and training and to provide such items as stationery etc on a low cost basis.

ACE also provide training packages and are particularly interested in working with small Credit Unions.¹⁹

2.6 Setting up a credit union

Setting up a new credit union is a process that can take between one and three years from the first idea to registration and authorisation as a credit union.

There are a number of stages that need to be completed when setting up a new credit union. Many of the tasks will run concurrently and be returned to, but below is a simple list, given by ABCUL, of the stages:

- Decide on a common bond - where the credit union will operate.
- Get a group together with the necessary range of skills and experience to develop a successful community business
- Carry out a pledge drive - find out just what demand there is for a credit union in the area and use the information obtained to inform the business plan projections

¹⁷ From the ABCUL website - www.abc.ul.coop

¹⁸ From the UKCU website – www.ukcu.co.uk

¹⁹ From the ACE website – www.aceus.org

- Join ABCUL as a "Study Group" - the £35 a year fee provides a full manual and access to all of ABCUL's information services
- Discuss the plans with the regulators - The Financial Services Authority will need to approve the common bond and satisfy itself that the business plan and policies and procedures meet its standards.
- Obtain funding and sponsorship - and include the figures in the business plan
- Choose officers - Officers and employees of the credit union will need to obtain Approved Persons Status from the FSA, and will need training for their roles.
- Think about marketing and promotion and how to meet business plan targets
- Launch the credit union - and turn the business plan into reality

ABCUL also advises that, before setting up a credit union, it is worth investigating if credit unions in neighbouring areas would be willing to expand their common bond to a new locality or place of employment. Many credit unions are expanding their common bonds to cover larger populations, and the area may already be included in someone else's plans.

A comprehensive guide to setting up a credit union can be found on the ABCUL website www.abcul.coop

The other credit union trade associations, and the FSA, can also help a group set up a credit union.

The FSA also demands that a study group obtains some capital (£1,000) before it can be registered as a credit union. Additionally the FSA will want to see 500 - 1,000 pledges from people willing to be members in a new credit union.

2.7 Credit unions in rural areas

Nationally credit unions are predominantly urban focused but more rural credit unions are becoming established as a response to the financial needs of rural communities. In some of these rural communities there are pockets of hidden poverty and financial exclusion with the closure of many banks and post offices in more isolated areas. Rural credit unions are a relatively new phenomena as prior to the mid nineties it was not considered feasible to establish a viable common bond in a rural area.

The demographics of rural communities are such that many people in different income brackets live side by side and many people on low incomes in rural areas do not consider themselves impoverished. If a rural credit union is to succeed, it is important to avoid stigmatization and it must offer a financial service that households on different incomes could find beneficial.

In 2001 the John Moores University research into sustainability for credit unions was followed by the study “From Small Acorns to Strong Oaks – A study into the development of credit unions in rural England”. This was a report prepared for the Countryside Agency and published by ABCUL. This report established that the ‘new model’ approach for credit unions is even more important when establishing a credit union in a rural community than an urban one.

The report sets out the following recommendations for establishing a credit union in a rural area:

- Before embarking upon setting up a credit union, first ascertain the feasibility of an existing credit union developing a branch in your area. This may involve the existing credit union enlarging or modifying its common bond to include your group or area. There must be a good reason for forming a new credit union as opposed to joining an existing one.
- If you decide to proceed to establish a credit union, it is important to identify an economically viable common bond. A tight, ‘closely knit’ common bond within a narrow field of membership, perhaps based on one or two villages, is unlikely on its own to lead to the creation of a financially strong credit union.
- Recruit competent, capable and committed directors and committee members. It is important to recruit a group of people who include those with strong community links, who represent major rural employers and organisations and who have a background in business and finance.
- It is very important for a credit union to have the support of at least one sponsoring organisation. This may be a major employer, a local authority, a large rural cooperative, a community organisation or a development trust. A sponsor brings credibility, expertise and investment to the new credit union.
- Ensure that your new credit union has the support of local employers, particularly public sector employers. To enable the employer’s staff to easily access the credit union’s services, the employer should be asked to provide payroll deduction payments to the credit union. Nationally and internationally, the involvement of employee groups is regarded as a key strength in credit union development.
- Consider carefully and realistically the economics of starting a rural financial institution. Recent credit union developments in non-rural areas such as Rochdale and Portsmouth have required in excess of £300,000 capital investment to equip them with suitable premises, staff, modern information technology and professional marketing materials. Without adequate capital investment and resources it is unwise to proceed with the project.²⁰

²⁰ From Small Acorns to Strong Oaks – A study into the development of credit unions in rural England – John Moores University
Liverpool – December 2001

Two established credit unions with a rural remit are Ipswich and Suffolk Credit Union and Just Credit Union based in Shrewsbury but with a Shropshire wide remit.

Just Credit Union

Just Credit Union offers three services – savings, loans and family protection insurance – and covers an area of 1,234 sq. miles. It employs three members of office staff only one of which is full-time plus 3 part-time outreach workers.

Formally established in October 2001 following a three year set-up period, it is currently operating in its fifth year with 1,653 members. One of the problems encountered in set-up was convincing the FSA of the viability of a rural-based operation, specifically member access. That issue was resolved by the development of a payment card issued to members, and agreements with post offices as well as garages, pay points etc which are able to receive sums of money on behalf of the credit union but not make payments.

The operation is clearly working but the two problematic issues are:

- **Access to services** - While payment in is effective, members cannot withdraw at the dispersed credit union access points
- **Cost of operating in a rural area** - As funds are only accessed by members remotely, the credit union has: high postage costs; gets through considerable numbers of cheques; faces some frustration particularly around peak postal periods such as Christmas (requiring first class postage); and also has higher transport costs as a result of Directors who are spread across the County and have to travel to meetings in the County town.

Although more than 50% of members pay by payroll or standing order Just Credit Union's attempts to make payments by BACS have been thwarted by the considerable number of members who don't have bank accounts. A future threat is the proposed rationalisation of the post office network.

Ipswich and Suffolk Credit Union

The story for **Ipswich and Suffolk Credit Union** is similar although for the first 4 years the credit union was focused on the town (Ipswich) and only expanded into Suffolk by extending its common bond a year ago.

Access is again an issue – while there are some 15 collection points in the town – members outside it rely on standing orders or cheques being posted. In terms of services offered there are savings, loans and life insurance (on the loans).

It was a lengthy exercise to set-up the Ipswich and Suffolk credit union with the challenges being: gathering volunteers (which was achieved by establishing a database of “promissory notes”); and funding for premises/staff was an issue with the Borough Council being the main funder.

The credit union employs 1 full-time office manager, two part-time staff and has two further part-time staff paid by the DWP to look after DWP loans e.g. rent deposits for people who would not meet the credit union criteria.

Organising a credit union to serve a large rural area is a complex and challenging risk. Rural credit unions require significant organisational capacity and adequate capital investment to be able to offer quality financial services.

Further evidence about setting up credit unions in rural areas has come from the **West Midlands**. A report jointly published by ABCUL highlighted certain key factors in establishing a successful credit union in a rural area.²¹

- **Understanding the rural financial market** – marketing in a rural area can be very complex and extensive research needs to be undertaken into those aspects of the rural financial market that could be best served by credit unions.
- **Systems and procedures** – it is necessary to have systems and procedures in place to cope with a membership spread throughout a large geographical area. The introduction of an electronic deposit card in Shropshire has been particularly successful. This card enables credit union members to make cash deposits in post offices and a range of retail outlets. ABCUL’s current project to enable credit unions to issue members with cash machine and debit cards, linked to the equivalent of a current account, is of particular importance for the development and growth of rural credit unions.

²¹ *Creating wealth in the West Midlands through sustainable credit unions - An action research project*, ABCUL and Liverpool John Moores University, February 2005

- **Effective partnerships and the development of rural networks** – credit unions cannot, economically or organisationally, open branches or access points in every town, village and settlement in a large rural area. Rural credit unions have discovered that an effective way forward is to develop partnerships with organisations and agencies in the voluntary, public and private sectors. Through these organisations the credit unions have been able to build a rural network of service points into the credit union that are linked into the social inter-relationships of particular localities and groups.
- **Sponsorship and investment** – In general, rural credit unions suffer from a lack of investment and a lack of sponsors who are able to offer credibility and in-kind support. Investment in a rural credit union is particularly essential as costs are inevitably higher in serving a dispersed membership. The West Midlands project has highlighted the importance of capitalising credit unions with significant and targeted investment over at least a six year period.²²

2.8 Credit unions in the East of England

Bedfordshire is one of the six counties in the East of England region. Within this region there are 30 credit unions. The majority of these have area-based common bonds but five have an employment-only common bond.²³

In September 2006 credit union deposits in the East of England were £6.18 million £5.06 million out on loan. There were more than 12,000 adult, and over 3,000 junior, members of credit unions.²⁴

The credit unions in the East of England are based in the following areas:

Bedfordshire (and Luton)

Bedford	Bedford Credit Union Ltd
Luton	Money Matters Credit Union Ltd
Luton	South Luton Credit Union Ltd

Cambridgeshire (and Peterborough)

Cambridge	Cambridge City Credit Union Ltd
Peterborough	Rainbow Saver Anglia Credit Union Ltd

²² *Creating wealth in the West Midlands through sustainable credit unions - An action research project*, ABCUL and Liverpool John Moores University, February 2005

²³ In Touch (Social Enterprise East of England) – Issue 15

²⁴ Credit Union East newsletter, December 2006

Essex (and Southend)

Basildon	Basildon Council Employees Credit Union Ltd
Canvey Island	Canvey Credit Union Ltd
Chelmsford	Essex Savers Net Credit Union Ltd
Colchester	Colchester Credit Union Ltd
Harlow	Harlowsave Credit Union Ltd
Harlow	Pitney-Bowes Employees Credit Union Ltd
Romford	Liberty Credit Union Ltd
Southend on Sea	Southend Credit Union Ltd
Witham	Holdfast Credit Union Ltd

Hertfordshire

Hatfield	Hatfield Credit Union Ltd
Hemel Hempstead	Dacorum First Credit Union Ltd
Hitchin	Black Squirrel Credit Union Ltd
Royston	P.B.F.A. Credit Union Ltd
St. Albans	St Albans District Credit Union Ltd
Stevenage	Stevenage Credit Union Ltd
Watford	Watford Credit Union Ltd
Welwyn Garden City	Bakers Food and Allied Workers' Credit Union Ltd

Norfolk

Great Yarmouth	Cobholm Island Credit Union Ltd
Great Yarmouth	Lichfield and Southtown Credit Union Ltd
Norwich	Norwich City Council Employees' Credit Union Ltd
Norwich	Norwich Community Co-Operative Credit Union Ltd
Norwich	Pillgate Credit Union Ltd
Norwich	South Norfolk Credit Union Ltd
Norwich	West Norwich Credit Union Ltd

Suffolk

Ipswich	Ipswich and Suffolk Credit Union Ltd
Ipswich	Suffolk County Council Employees and Pensioners Credit Union Ltd

There is also additional credit union membership that does not show up on the regional statistics as over 800 people belong to Transave, which is a national credit union. This number is growing fast because one employer, First Group, puts £10 per month into employees' credit union accounts which is paid out as a staff bonus at the end of 12 months. At one Norfolk depot, 100% of staff have joined the Transave credit union.

In the East of England Credit Union East (CUE) acts as a forum for credit unions.

Credit Union East

CUE encourages co-operation amongst credit unions to ensure services are delivered across the maximum area, and to promote membership.

Credit unions in CUE meet and share best practice and ideas across the region. Members share information such as: savings policies, lending policies, and operational strategies.

An occasional newsletter reports on the progress of credit unions in the 6 counties constituting the East of England region.

CUE is open to suggestions about widening participation, and achieving the goal of increasing credit union membership in the East of England.

Its vision is to build wealth and create economic opportunity for under-served people and communities which may have lost post offices or bank branches.

The CUE coordinator is Sally Chicken:
Address, CUE, c/o ISCU Ltd, 63 Austin Street, Ipswich IP2 8DF
Tel.: 01473 690690
Email: sally.chicken@btinternet.com

In its December newsletter, Credit Union East highlighted the following issues affecting credit unions in the region:²⁵

- **Expansion of credit unions**

Following the general trend in increased size of credit unions, some credit unions in the East of England are considering expansion. For example, South Norfolk is considering expanding its common bond to cover the whole of Norfolk. Other credit unions that could be capable of expansion are: Holdfast Credit Union – well established and efficient; HarlowSave – this credit union has already been through a multi-merger; Bedford Credit Union - well placed to extend to the whole county; and Luton - has a solid base to launch further growth.

- **Partnership working**

Credit unions in the region are working in partnership with other groups such as Trading Standards and Citizens Advice Bureaux. Good examples of this have been between the CABx in Cambridgeshire and Suffolk and their local credit unions. Partnership working helps to spread the benefits of credit unions to various groups e.g. Ipswich and Suffolk Credit Union takes referrals from over 25 local voluntary and statutory organisations for welfare loans and including rent deposits. Also Colchester Credit Union has developed junior savers in local schools.

²⁵ Credit Union East newsletter, December 2006

- **Farepak hampers**

The collapse of Farepak Hampers led to increased publicity for credit unions as many were able to lend to these victims without previous deposits at a credit union. Following a 2 page piece about Ipswich and Suffolk Credit Union in The Sun newspaper, ISCU received a large number of calls - and every enquirer was referred to a credit union within the region. A major hotspot was at Wisbech where over 200 Farepak customers lost their money. Other areas of note were Harlow, Bedford, Ipswich, Lowestoft, Saxmundham and Beccles.

- **PayPoint**

PayPoint is available to help people deposit at local shops or post office, increasing footfall and trading as well as widening access to credit unions. Ipswich and Suffolk Credit Union and Rainbow Saver Anglia Credit Union are both introducing PayPoint thanks to a partnership with Suffolk ACRE and DEFRA.

- **Rent deposit schemes**

Rent deposit loans for homeless or 'about to be homeless' people has been a big success in Ipswich, and other local authorities and housing associations are planning to work in partnership with their local credit union. South Norfolk Credit Union is working with Solo Housing, Rainbow Saver is working with Waveney District Council and others are in development. Bedford Credit union is working with Beds Pilgrims Housing Association.

- **Migrant workers**

Deposits and withdrawals at credit unions have been seen to increase when migrant workers use them to deposit wages. This group are often turned away by Banks due to lack of standard ID.

2.9 Credit unions in similar areas to Mid Beds

As a final part of the research we contacted councils in the 'Davertry Benchmarking Group' which is a group of 19 councils in the same "family" as Mid Bedfordshire District Council. These councils are used when the performance of a council needs to be compared to similar councils.

To gather information we distributed a short questionnaire to the other 18 councils in the group to find out if they had a credit union in their area and, if so, whether the council had been involved in setting up, funding, or working with the credit union.

Unfortunately, we only received three replies. These were from: Kennet District Council; South Cambridgeshire District Council; and North Yorkshire District Council. The low response rate was probably due to the named contact people for the benchmarking group being based in finance and performance management sections of councils rather than sections with knowledge of credit unions

However, very useful information was given on the work that has been undertaken to develop a credit union in North Yorkshire. Although, like Mid Bedfordshire, North Yorkshire is a rural area with no large urban areas, it covers a much bigger geographical area than Mid Beds. Nevertheless, many of the issues that they have faced in North Yorkshire are very similar to those that will need to be addressed in Mid Bedfordshire. Many of the findings of their feasibility study mirror the findings of our research in Mid Beds, for example:

- There was unanimous support in principle for setting up a credit union
- There were various offers of practical support for the credit union
- That funding is required from local authorities, and other funders, to help develop the credit union and meet the shortfall in earnings over the first few years
- Although the proposed common bond will cover the whole of the geographical area of the district, early development work should be targeted on a few specific locations (of higher deprivation) and also on encouraging local government employees to join the credit union.²⁶

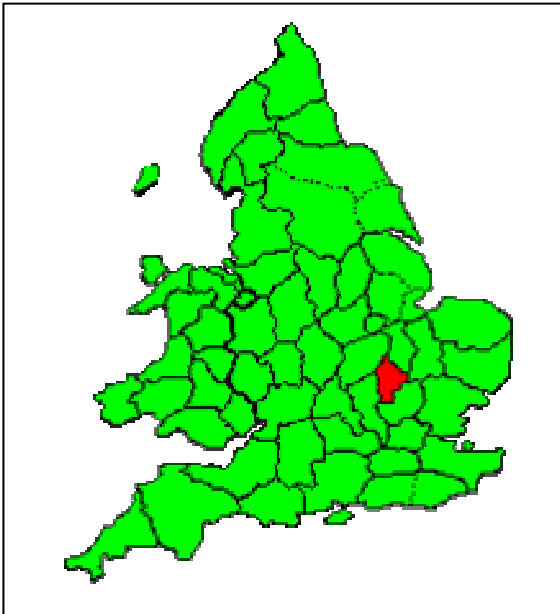
²⁶ Credit Union Feasibility Study, North Yorkshire District Council

3. DEVELOPING A CREDIT UNION IN MID BEDFORDSHIRE

3.1 Mid Bedfordshire - Overview

3.1.1 Bedfordshire

Bedfordshire is located in south-central England approximately 50 miles north of London, although regionally it is classified as being in the **East of England**.



The geographic county of Bedfordshire has a population of around 573,600, who live within the four administrative areas of the county: Bedford (which covers North Bedfordshire); Mid Bedfordshire; South Bedfordshire; and Luton. About 388,600 live in the area administered by Bedfordshire County Council and 185,000 in Luton.²⁷

Luton was separated from the county administratively in 1997 when Luton Borough Council gained unitary authority status. The remainder of the county has retained the two-tier structure of county and borough/district councils. The local authorities in the county are: Bedfordshire County Council, Bedford Borough Council, Mid Bedfordshire District Council and South Bedfordshire District Council.

²⁷ Population estimates mid 2003 - Office for National Statistics

3.1.2 Mid-Bedfordshire

Mid Bedfordshire is one of the three district/borough areas in the county of Bedfordshire.

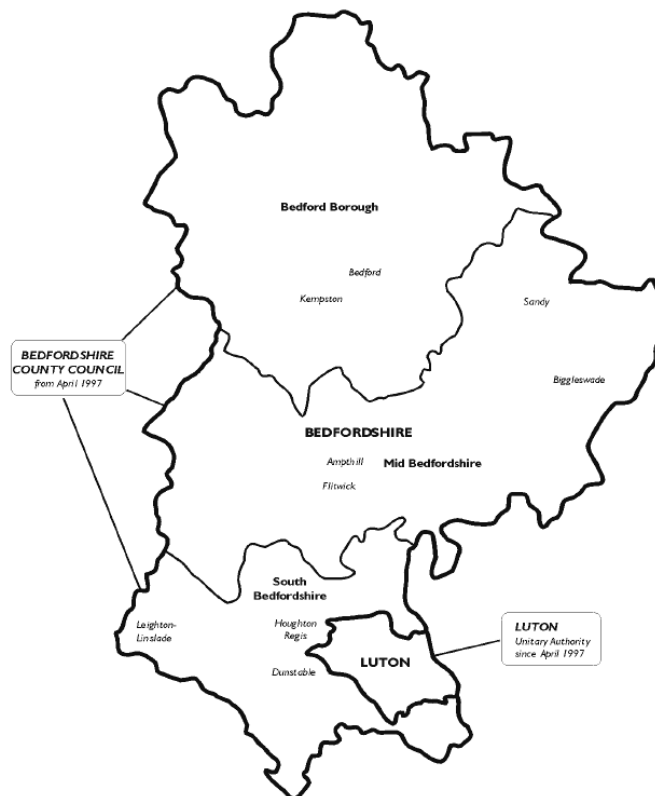
The population of Mid Bedfordshire is 127,000²⁸. Much of the area is rural with the only urban areas of any size being the small towns of Ampthill, Biggleswade, Flitwick and Sandy.

There is an ethnic population in Mid Beds of just 2.4% compared to over 8% nationally.

In January 2007 the unemployment rate was 1.2% compared to the national average of 2.6% in the UK.²⁹ Figures also show that the economy of Mid Bedfordshire is stronger than average for Bedfordshire. There is a higher employment rate with less people claiming Jobseekers Allowance³⁰

Mid Bedfordshire is considered an area of affluence compared to other local authority areas; however there are small pockets of deprivation across the district and, in particular, in the towns of Biggleswade, Flitwick and Sandy.³¹

Mid Bedfordshire is well positioned on some of the country's most important north/south communication routes – the M1 to the west and A1 to the east. Mid Bedfordshire is bordered by the counties of Cambridgeshire and Hertfordshire to the east, South Bedfordshire (and Luton) to the south, Buckinghamshire and Milton Keynes to the west and Bedford (North Bedfordshire) to the north.



²⁸ Population estimates mid 2003, Office for National Statistics

²⁹ Unemployment Quarterly, Bedfordshire County Council, January 2007

³⁰ EastNet report – Key facts and key figures for Mid Bedfordshire, June 2006

³¹ Policy Briefing, East of England Development Agency, Deprived wards in the East of England, May 2003

Population details

The **age breakdown** of the population can be seen below. Compared to the rest of the county, and the country as a whole, Mid Bedfordshire has a slightly younger population with higher percentages of people aged under retirement age with lower than the national average in terms of people over retirement age

Age range	Mid Bedfordshire	Bedfordshire	England
Under 16	20.7	20.6	21.7
Aged 16 to retirement age	63.4	62.5	61.9
Retirement Age and over	16.0	16.9	18.4

Resident population (%)

Population of Bedfordshire – Age breakdown ³²

Over the next 20 years it is predicted that the population of Bedfordshire will increase, particularly in Mid and South Bedfordshire, and become older, given current life expectancy and demographic changes.

This increase in population will result in an increase in demand for various services including debt advice and financial services.

In general the percentage of the population in **ethnic groups** in Mid Bedfordshire is much lower than the county and the national average.

Ethnic group	Mid Bedfordshire	Bedfordshire	England
White	97.6	93.8	91.3
Asian or Asian British	0.7	3.2	4.4
Black or Black British	0.3	1.2	2.2
Other Ethnic Groups (including Chinese and mixed race)	1.3	1.8	2.1

Resident population in ethnic groups (%)

Population of Mid Bedfordshire - Ethnic groups ³³

Deprivation

In general Mid Bedfordshire has low levels of deprivation – information from the Census 2001 shows that the economy is stronger than the average for Bedfordshire and for England as a whole.

Out of 354 local authorities and districts in England, Mid Bedfordshire is ranked 334 (with 1 being the most deprived). Out of local authorities in the East of England, Mid Bedfordshire ranks 45th out of 48.³⁴

³² Population estimates mid 2003, Office for National Statistics

³³ Census 2001

³⁴ Indices of Deprivation 2004, Office of the Deputy Prime Minister

Although Mid Bedfordshire as a whole has low levels of deprivation, and even most wards in the district do not have any noticeable deprivation, on a smaller geographical level, different areas within wards have pockets of higher deprivation - even in the generally more prosperous rural areas.

In recent years the Office for National Statistics has developed geographical units called 'Super Output Areas' (SOAs) as measures of deprivation in England. This gives a means of scoring and ranking deprivation in different geographical areas according to: income deprivation; employment deprivation; health deprivation and disability; education, skills and training deprivation; barriers to housing and services; living environment deprivation; and crime.

Most of the wards in Mid Bedfordshire are not considered to be deprived. However, there are some exceptions with one or more SOAs in the 30% – 60% range. Using this data, Sandy Pinnacle is the most deprived ward in Mid Beds with one SOA in the top 30% – 40% range. Whilst this is not significant in comparison to other areas in England, this does contrast sharply with most other wards in the District.

Ward	No. of SOAs in the ward	No. of SOAs with a high rank in the ward
Sandy Pinnacle	4	1 in top 30% – 40% range
Biggleswade Stratton	2	1 in top 40% – 50% range
Flitwick East	4	1 in top 40%– 50% range
Arlesey	3	1 in top 50% – 60% range
Biggleswade Ivel	5	1 in top 50% – 60% range
Sandy Ivel	1	1 in top 50% – 60% range
Shefford, Campton and Gravenhurst	5	1 in top 50% – 60% range

Wards in Mid Bedfordshire with SOAs with high indices of deprivation³⁵

Using similar data, the ward of Sandy St Swithuns has the highest Child Poverty Score in Mid Bedfordshire with 35.8% of 0-16 year old living in families claiming means- tested benefits. This score is much higher than the median child poverty index score for England which is 14.5% and it compares locally with Houghton East in South Bedfordshire at 36.7%, which is considered to be one of the most deprived areas in the county.³⁶

³⁵ *Indices of Deprivation 2004*, Office of the Deputy Prime Minister

³⁶ Mid Beds. District Council Tackling Disadvantage Plan 2004 - 2007

The situation, regarding deprivation in the district, was summed up well by the Council's Tackling Disadvantage Plan:

"The picture of disadvantage is by no means complete, and particularly difficult to quantify in such an affluent area. Work continues to identify specific areas of disadvantage across the district as there are marked variations by social class and across geographical locations. Community development approaches, anecdotal information, case studies and testimonials are used to illustrate the everyday disadvantages that people living in Mid Bedfordshire experience".³⁷

Unemployment

In Mid Bedfordshire in 2001, 22% of those unemployed were aged 50 and over, 4% had never worked and 23% were long-term unemployed.

It should be noted, however, that since 2001, rates of unemployment have generally decreased and now stand at 1.2% in Mid Bedfordshire. The overall county average is 1.8%, which is lower than the national average of 2.6%.³⁸

Hidden amongst these figures there are pockets of relatively high unemployment in Mid Beds when compared to the average unemployment figures for the District and County – this can be shown the comparatively high rates in the following wards:

- Biggleswade Stratton at 1.9%
- Sandy Pinnacle at 1.8%
- Arlesey at 1.6%
- Biggleswade Ivel at 1.8%

Retail facilities

The Mid Bedfordshire Retail Study 2004 shows that 17% of settlements in the district have no retail facilities – this means that there are no local means of purchasing goods or withdrawing or paying in money. These settlements are the smallest in the district and due to the size and remoteness of the areas concerned cannot sustain any retail activity.

This partly explains why car ownership levels in Mid Bedfordshire are greater than the national average with 47.4% of the population in the district having access to two cars in comparison to 29.4% in England and Wales. In many of the rural areas in Mid Bedfordshire public transport is insufficient and cars are considered a necessity which can put a greater strain on lower income households. In the district 13.1% of the population do not have access to a vehicle which means that some people become more isolated and vulnerable in areas where there is no retail facility.³⁹

³⁷ Mid Beds. District Council Tackling Disadvantage Plan 2004 - 2007

³⁸ *Unemployment Quarterly*, Bedfordshire County Council, January 2007

³⁹ Mid Beds District Council Tackling Disadvantage Plan 2004 - 2007

Personal debt

As in other parts of the country the level of personal debt, and the problems associated with debt, are increasing. This is illustrated by reports and statistics from Citizens Advice

Nationally Citizens Advice Bureaux dealt with 1,128,000 debt enquiries during 2004/05 (21% of all CAB client problems) and in the last decade the number of consumer debt problems has increased by 118%. CAB clients have an average of £13,000 of debt when they first come to a bureau, over 17 times their monthly debt.⁴⁰

In Mid Beds personal debt is also a growing problem and over 30% of cases at Mid Beds CAB now relate to debt. In 2006/07 the CAB dealt with debt enquires from 1,262 people covering 3,591 debt related issues. Three years ago debt represented 10% of the bureau's caseload with 1,118 enquiries.

Credit union services

There are no specific credit union services in Mid Bedfordshire with no common bond covering the area.

Some people who work in other areas (e.g. Bedford, Stevenage, Luton or Milton Keynes) may belong to a credit union there but numbers are likely to be very small.

3.2 The benefits of developing a credit union in Mid Bedfordshire

Although Mid Beds does not have high levels of deprivation there is still a need for a credit union because:

- There are pockets of higher deprivation within some urban wards
- There is hidden rural deprivation in the area
- A growing number of people are unable access financial services and this general problem is accentuated by the rural nature of an area like Mid Beds
- There are increasing levels of personal debt problems

Providing credit union services in Mid Beds will improve access to financial services for local residents. This will bring Mid Beds into line with many other areas in the country (including the local areas of Bedford, Dunstable and other neighbouring areas to Mid Beds) that already have successful credit unions.

⁴⁰ *Out of the red - Debt advice in the Citizens Advice services*, Spring 2006.

The development of a credit union also fits in with the policies and strategies of local councils and public bodies such as Mid Beds District Council's Corporate Objectives, Bedfordshire Council's Strategic Objectives and Aragon Housing Association's Community Development Strategy. The development of a local credit union is also supported by the Mid Beds Local Strategic Partnership.

As credit unions provide a variety of services (see **Section 2.4** of this report), developing a credit union in Mid Beds would have a number of beneficial effects including:

- Encouraging saving
- Increasing financial capacity by providing financial services to local residents who are currently excluded from these services
- Reducing the financial exclusion of some residents in Mid Bedfordshire
- Providing education and advice on financial management
- Helping to meet targets in the strategic plans of key local stakeholders
- Having a general positive impact on the community

3.3 Potential models for a credit union in Mid Bedfordshire

When looking to provide new credit union services in Mid Bedfordshire, there are basically two options.

- (1) Set up an entirely new credit union
- (2) Extend the common bond area of an existing credit union into Mid Bedfordshire.

There would be obvious benefits in setting up a new credit union in Mid Beds as the credit union would be solely geared to meeting the needs of people in Mid Beds and could be branded as a purely Mid Beds venture.

There would be, however, a number of difficulties in trying to set up an entirely new credit union in the district.

- A group of committed individuals would need to form a "Study Group" and go through a comprehensive training programme
- Funding would be needed to pay for this "Study Group" training (see page 21 of this report)
- The new credit union would need to establish and develop its organisational structure and policies from scratch
- It would take about 2 years to launch a new credit union - and then a further 2-3 years to develop it effectively
- There would be large risk in trying to set up a new credit union in a relatively small, rural area like Mid Bedfordshire as it is unlikely that a separate credit union would be able to become financially viable. (See **Section 3.5** for details on the viability of a credit union in Mid Beds).

From an early stage in this research and feasibility study it therefore became clear that the more realistic model for Mid Bedfordshire would be for an existing credit union to extend its common bond into the area. This would be quicker, cheaper, and less risky to set up, and would result in a more efficient operation.

This expansion of credit unions to take in a larger area is also the current way of thinking in the credit union movement, and is something that has been recommended in various other research reports. It would be supported by ABCUL and Credit Union East, and is also the model that is more likely to be accepted by the FSA.

Therefore as part of this study, we visited a number of credit unions in neighbouring areas to see whether there was potential for them to extend their common bond into Mid Bedfordshire. (See **Section 3.4.1** of this report).

A further issue that needs to be addressed when considering a model for Mid Bedfordshire is whether the new credit unions services should cover the whole of the district or just parts of the district.

There would be some benefits in limiting the common bond of a credit union to specific parts of Mid Beds e.g. certain towns (such as Sandy and/or Biggleswade), or certain areas (such as East Mid Beds) as these are generally the areas with higher deprivation and therefore the most obvious potential members. Limiting the area of the common bond would also make the practicalities of organising the credit union easier.

However, there are many advantages in having a bigger common bond area covering the whole of the district:

- Mid Bedfordshire is already a small area with a relatively small population - limiting the size of the credit union even more would reduce the number of potential members and make the credit union less viable
- The recommendations from ABCUL are to have larger, more inclusive common bonds rather than common bonds based on small local communities
- Everybody in Mid Beds could become a member which would make the credit union more inclusive
- It is important to have a mix of members in a credit union (from more affluent areas as well as deprived areas) to give a viable mix of savers and borrowers
- It would make the credit union easier to publicise in terms of a "Mid Bedfordshire" brand

3.4 Consultation with stakeholders

As part of this feasibility study we undertook a consultation exercise with various local stakeholders to obtain their views on the proposed development of, and proposed models for, a credit union in Mid Beds. The consultation included:

- Visits to credit unions in neighbouring areas
- Discussions with potential partners
- Consultation with other stakeholders
 - A consultation survey
 - A consultation event

3.4.1 Visits to credit unions in neighbouring areas

Mid Bedfordshire is bordered by: Bedford (North Bedfordshire) to the north; Cambridgeshire and Hertfordshire to the east; South Bedfordshire (and Luton) to the south; and Buckinghamshire and Milton Keynes to the west.

The following credit unions are in neighbouring areas fairly close to Mid Bedfordshire:

Bedford	-	Bedford Credit Union Ltd
Stevenage	-	Stevenage Credit Union Ltd
Hitchin	-	Black Squirrel Credit Union Ltd
Hatfield	-	Hatfield Credit Union Ltd
St. Albans	-	St Albans District Credit Union Ltd
Luton	-	Money Matters Credit Union Ltd
Luton	-	South Luton Credit Union Ltd
Milton Keynes	-	Milton Keynes Credit Union

As part of this research study we visited the following credit unions to gather details on their activities as well as their views on the possible development of a credit union in Mid Bedfordshire.

- Bedford Credit Union
- Stevenage Credit Union
- Hatfield Credit Union
- Money Matters Credit Union (Luton)
- Milton Keynes Credit Union

During the visits, a standard set of questions were used to structure the discussions, and the answers were recorded on a specially designed report form. Questions were asked about the credit union and their view on a credit union in Mid Beds including:

- History of the credit union
- Details of their common bond
- Details of services provided
- Size of the credit union
- Details of members
- Management of the credit union
- Finances of the credit union
- Current issues facing the credit union
- Current, or future, developments
- General advice or suggestions on setting up a credit union
- Views on credit unions operating in rural areas
- Views of the development of a credit union in Mid Beds. And possible relationships with the credit union
- Views on the possibility of expanding the credit union's common bond into Mid Beds

A summary of the information gained from the visits to the credit unions can found on pages 40-45. (**NB** Some details about Bedford Credit Union have been updated since the visit and now represent the current situation).

Bedford Credit Union

History

Initially started as a study group in Autumn 1996, following concern by a local church member regarding loan shark collectors on the Elms Farm Estate. There were 22 people in the study group - many from local churches. After 18 months, BCU was opened in March 1998.

Size

Over 1,000 members (now 1,100) including 175 children.

Total value of accounts = £400,000. Maximum account was £5,000, now increased to £10,000.

Some members have 2 accounts – normally an ‘access’ and ‘savings’ account.

Common bond area

The original common bond area was for Bedford and Kempston Urban.

BCU's common bond was later extended to cover those living, working and studying within 6 miles of Bedford town centre. The area now extends to the wards and parishes of: Biddenham, Bromham, Cardington, Clapham, Cople, Eastcotts, Elstow, Great Barford, Kempston, Oakley, Ravensden, Renhold, Stewartby, Wilden, Willington, Wilstead and Wootton.

Few members from Mid Bedfordshire.

Services

BCU's central office is in Bedford (St. Paul's Square). Opening hours are: Monday: 12.00 – 16.00; Tuesday: 19.00 – 20.30; Wednesday: 10.00 – 16.00; Friday: 10.00 – 13.00; and Saturday: 9.00 – 12.00.

Other collection points include :

- Guild House (Harper Street) for users (aged 50+) – when open.
- Goldington Family Centre (Mead Way) – Monday and Wednesday morning (1 hour)
- 4 schools - Hills Lower, Queens Park Lower, Goldington Middle, and St Thomas More Upper

They also have payroll deduction schemes at Bedford Hospital, Bedford Borough Council & BTB Mail Flight (Kempston).

They also have an arrangement with the DWP for account holders to receive direct payment of benefits into a savings account.

Bedford Credit Union (continued)

Staff

2 full-time – Office Manager and Development Officer

3 part-time – Office Assistant, Schools Development Officer, and Education Co-ordinator (Money Management Project)

25–30 volunteers – these are cashiers, directors, schools outreach workers and members of the Loans Committee and Supervisory Committee

Management

The Board generally consists of 5–12 Directors (currently 9 Directors) that meet monthly. These are elected at the AGM - Peter Doyle is currently Chair of the Board.

There are 3 committees: Supervisory, Credit and Human Resources plus a Treasury Team. There are also committees overseeing different projects.

Finances

BCU started on a voluntary basis without any capital – the initial income was raised from members. In the first year there was no office or overheads. The training costs of £3,000 were funded by Bedford Borough Council.

Now the salary for the Office Manager is self-generated and core services are self-financing. Other staff, and work, are funded externally.

Current funding is provided by grants from the following:

- Bedford Borough Council – a small grant from voluntary sector grants
- Bedfordshire County Council – a service level agreement covers rent and a contribution towards the salary for the Development Officer
- Bedford Charity - provided funding for the Development Officer
- ESF - funds the Money Management project
- Local Network Fund – supports the development work in schools
- BPHA - provide membership fees for new BPHA tenants

The rent and rates of £3,500 are paid by the BCU. However, the rent is refunded through the grant from Beds. County Council. There is no rate relief as BCU does not have charitable status.

Stevenage Credit Union

History

Set up in 1995. A low income study in 1991 had shown that areas of Stevenage suffered from economic hardship. Stevenage Borough Council funded special training and travelling to other credit unions in order to aid local residents and community workers to set up the initial credit union in Shephall. 6 years later this was extended to Stevenage and surrounding villages.

Size

Total value of accounts = £250,000

No. of members = 800 (600 are active)

Common bond area

Stevenage Borough Council area - anyone living or working in these areas can become a member.

No members from Mid Bedfordshire.

Service

One office (Hyde Resource Centre). Open 4 mornings a week, 9am–12noon.

5 other locations are open at set times.

Staff

No. of Staff = 15–20 volunteers. 1 part-time paid member of staff.

Management

Board consists of 8 Directors that meet once a month. A Loans Committee of 3 people meets weekly.

Finances

Currently self-funded.

Initial funding of £5,000 was received from Stevenage Borough Council plus support form £12,000 of SRB funding.

Running costs average £2,000 a month which is paid for by interest from the accounts.

Hatfield Credit Union

History

HCU was set up in 1999 to cover Hatfield and Welham Green. Extended to cover the whole of Welwyn Hatfield District in 2003/4.

Size

Total value of accounts = £182,000. Total loans = £123,000

No of members = 400

Survey of membership (50 responses, 2 years ago):

- 60% female
- 30% over 65 years
- 26% 45–55 years
- 12% under 26 years
- 40% own a car
- 48% have an income less than £10,000
- 30% have an income less than £25,000

Common bond area

Welwyn Hatfield District - anyone living or working in these areas can become a member.

No members from Mid Bedfordshire.

Services

There is one office at Bill Salmon Centre – it is open 3 mornings a week.

Staff

No. of Staff = 18. They are all unpaid volunteers. When set-up, HCU did have 2 paid members of staff.

Management

Board consists of 9 Directors (should be 12). Meet once a month.

Finances

Currently self-funded. Initial support received from the District Council and local stakeholders.

Running costs of £9,000 per annum are met from interest on accounts. (£16,000 per annum income is required given size of bad debts).

Money Matters Credit Union (Luton)

History

Set up in 1996 in Lewsey, then extended to take in Leaside. 2–3 years ago took over the Chalkhill Blue Credit Union in Dunstable.

Size

Total value of accounts = £1/2 million.

Breakdown of members :

- 914 qualifying members
- 355 juniors
- 134 non-members (i.e. Christmas Club members)

Approximately 200 members pay in by standing order.

Common bond area

North Luton, Houghton Regis and Dunstable - anyone living or working in these areas can become a member.

No members in Mid Bedfordshire.

Services

One office at Lewsey Community Centre. Opening hours: Monday 11am–1pm and Friday 6–8 pm. An office in Marsh Farm is due to open January 2007. 5 other locations are open at set times for collections.

Staff

No. of staff = 15. Of these, 4 are paid staff (1 full-time and 3 part-time).

Management

Board consists of 10 directors. The board serves as a management committee. The Board and the Loans Committee meet once a month

Finances

Currently self-funded.

Initial funding for setting-up the Credit Union was received from Luton Borough Council. New Deal funding, for the Marsh Farm area, was used in the past to support paid staff.

Milton Keynes Credit Union

History

A study group was set up in 2000 by interested local agencies and the Christian Foundation, based in Wolverton. Started operations in March 2006 – 4 years to set up. Main aim was to promote a sense of community through membership of the CU.

Size

Total value of accounts = £7,215

Breakdown of members: 100 – mainly older people, large BME group.

Nearly all members pay in by standing order.

Common bond area

Those living and working in the area covered by Milton Keynes Unitary Authority (this includes villages outside centre).

Services

Foundation House in Wolverton (main office) – open Friday mornings

1 Service Point at Crosslinks centre in Bletchley – open Friday mornings

1 Service Point at Christchurch, Stantonbury Campus – open Sat. mornings

Staff

Volunteers at each service point and 4 volunteers at Foundation House (12 volunteers in total)

1 part-time paid member of staff. When sufficient funds available would like to employ a development worker.

Management

Board of 11 Directors, 3 of which are on the Credit Committee. There are also 3 supervisory committee members that are not on the Board.

Finances

Funding sources limited – not yet self-funding as membership is very small. Hoping to achieve this in 5 years.

Received £1,000 from Church and £2,300 from the Milton Keynes Community Foundation plus grants of approximately £500 each from local Parish Councils (6 or 7). Heavily subsidised by the Christian Foundation in terms of office premises (Foundation House) and admin support.

Key learning points from these local visits

The key points learnt from the visits to neighbouring credit unions were:

- The average time to set-up a credit union is 18 months to 2 years
- Initial set-up costs were approximately £5,000 - £10,000 – these funds were provided by local councils and stakeholders
- A new credit union would require some funding commitment from local councils, stakeholders and/or community groups
- The larger credit unions visited (Bedford, Stevenage and Luton) are currently self-funding their core work - the interest gained from loans pays for the running costs
- Any other work over and above core work would normally need to be funded separately e.g. the development and educational work at Bedford Credit Union
- Office space is generally either provided rent-free or at minimum cost
- The credit unions visited have little experience of working in rural areas. However, it was generally noted that raising awareness, and setting up collection points, was difficult
- The success of the credit unions visited was attributable to committed volunteers – these are difficult to recruit. Many are from local community groups and faith groups.
- Good training is essential. Other credit unions can help on this e.g. Norwich Credit Union. Funding for training is generally provided by local councils.
- Credit unions need a sound business plan and also an effective bad debt policy
- Word of mouth is the best way to create awareness – plus support from local councils and newspapers to publicise the credit union within local communities.
- There are very few members from Mid Bedfordshire in the credit unions visited
- All the credit unions visited are very supportive of a Mid Bedfordshire credit union
- Although credit unions can operate with small numbers of members, all the work has to be done by volunteers. To be financially viable, and to be able to fund paid staff, a credit union needs 750 - 1,000 members
- Lack of investment and support from local stakeholders (e.g. in Milton Keynes) leads to lack of enthusiasm and slow growth which means the credit union is not benefiting the economy of the community it seeks to serve
- A paid development worker is considered essential for the growth and eventual success of a credit union.

3.4.2 Discussions with potential partners

As an Important part of the consultation exercise we arranged individual discussions with members of the Mid Beds Credit Union Focus Group. The aim was to get their views on the proposed credit union in Mid Beds and to discuss the potential links between their organisation and the new credit union.

The key points from the discussions were:

Mid Beds District Council - Jill Dickinson (Community Services Manager)

- The development of a credit union fits in with the Council's Corporate Objective 2 - to help create a safer, stronger, healthier and more prosperous community
- The Mid Bedfordshire Local Strategic Partnership is also supporting the development of a credit union in the area
- MBDC contributed towards the cost of the research and a request could be made for further funding for future development work
- MBDC could help promote a credit union
 - to young people through its Youth Participation Scheme
 - to local residents through its regular newsletter, *Horizon*
 - to local community groups, such as Beds Rural Communities Charity, Bedford Race Equality Council, Christian Family Care and Mid beds CAB, though its Salary Sacrifice Scheme

Bedfordshire County Council - Sarah Hughes (Enterprise and Regeneration Manger)

- The development of a credit union fits into the County Council's Strategic Objectives 2006-2009 particularly in terms of building strong, prosperous and sustainable communities.
- A credit union would be a good model for tackling disadvantage in rural areas
- Beds CC contributed towards the cost of the research and up to £5,000 has also been allocated for the initial development work in 2007/08
- A request can be made to Beds CC to provide further funding for future development work
- Funding may also be possible through other sources
 - ESF co-financing - to support financial management and literacy training, and training of volunteers (if eligible for ESF funding)
 - Investing in Communities - through its support for social enterprises
- Credit union membership could be promoted by the Council and through its services - with the possibility of having a lead person or a local representative
- The setting up of a payroll deduction scheme for County Council employees could be explored

Aragon Housing Association - Steve Hill (Community Development Manager) and Steve Nash (Community Development Officer)

- Research into a community credit union was included in Aragon's 3 year Community Development Strategy 2006/09 in one of the strategic goals - strengthening community infrastructure
- Aragon contributed towards the cost of the research and could provide some resources and staff support for an emerging credit union
- Aragon operates from offices in Ampthill and Sandy and has 21 sheltered accommodation schemes. Some use of premises could possibly be made available to a credit union
- Aragon's Tenancy Support Service could provide referrals to the credit union
- The credit union could be publicised in Aragon's magazine, *Intouch*, which goes to over 6,500 properties
- The community development team run training workshops. They could promote the benefits of credit union membership. They could also provide training on financial inclusion issues
- Aragon is introducing a rent deposit scheme and a rent in advance scheme to operate for private sector tenants. These schemes will help some of the 4,500 people on Aragon's waiting list. Membership of a credit union could be linked into these schemes
- Aragon may be able to provide some assistance for new credit union members (as is provided by BPHA in the Bedford area) by helping with credit union joining fees for new tenants

Mid Beds Citizens Advice Bureau - Jenny Hedges (Manager)

- Debt cases now amount for 30% of cases at the CAB
- The CAB could provide a referral service to a credit union
- Referrals could also be made from the credit union to the CAB when a member, or potential member, needs advice on debts

Mid and North Beds CVS - Mark Smith (Information Officer)

- The CVS could provide general support for a new community enterprise
- It could provide specific advice on setting up a new organisation and future governance
- The CVS would also publicise the credit union and could make referrals

3.4.3 Consultation survey

To consult with a wider group of stakeholders we produced an information sheet and a questionnaire and sent these out to local community groups and other stakeholders to try to identify the level of interest and support from the community sector for a credit union, and to assess the general viability of a credit union in Mid Bedfordshire.

Everyone who received a questionnaire was also invited to attend a consultation event on 18th May at Mid Beds District Council. This event was to enable all interested parties to learn more about credit unions and to discuss the practicalities of setting up, funding and running a credit union in Mid Bedfordshire

186 questionnaires were distributed to the following targeted individuals/agencies:

Individual / Agency	No. of questionnaires
Bedfordshire County Council – Councillors (in Mid Beds.)	16
Bedfordshire County Council – Officers	11
Mid Beds. District Council – Councillors	52
Town Councils in Mid Beds.	9
Parish Councils in Mid Beds.	45
Local agencies that work in Mid Beds.	29
Church leaders in Mid Beds.	19
Credit unions interviewed as part of the research	5
Individuals who had shown a personal interest	2

Details about the project were also sent, by email, to:

- Members of Bedfordshire Tackling Poverty Together Group (25)
- Members of Bedford Advice Forum (60)
- Members of Bedfordshire Child Poverty Action Group (16)

Information sheets and questionnaires were also distributed at the following meetings:

- BRIEF (Bedfordshire Rights and Information Exchange Forum) on 28th March
- BAF (Bedford Advice Forum) on 19th April

Details of the consultation survey were also put on the TPT Group's website www.tacklingpoverty-beds.org.uk

Aragon Housing Association also distributed an information sheet and questionnaire to a selection of their tenants on their Customer Panel to determine their level of interest and support for a local credit union.

Although there was some duplication in the distribution of questionnaires, in total, over 200 individuals and agencies in the voluntary and public sector in Mid Beds were informed of the consultation event and asked if they would be interested in completing a survey on the viability of a credit union in Mid Beds.

Analysis of questionnaires

Of the 186, targeted questionnaires that were distributed, 33 were returned – an 18% return rate. Details are as follows:

- 7 from Mid Beds District Councillors
- 1 from a Mid Beds District Council Officer
- 2 from Bedfordshire County Councillors
- 2 from Town Councils in Mid Beds.
- 1 from a County Council Officer
- 9 from agencies that work in Mid Beds
- 2 from neighbouring credit unions
- 1 from a local church
- 7 from the Customer Panel of Aragon Housing Association
- 1 from an interested individual

Apart from Bedford Credit Union, Stevenage Credit Union and one individual - all of the respondents represent either constituents in Mid Beds, have clients in Mid Beds or live in the Mid Beds area.

27 of those that returned questionnaires accepted an invitation to the consultation event.

On the questionnaire, questions were asked about:

- Financial services in Mid Bedfordshire
- Interest and support for a Mid Beds Credit Union
- Premises
- Setting up a Mid Beds Credit Union
- Future support
- Other general comments

Financial Services in Mid Bedfordshire

24 respondents (73%) felt that Mid Bedfordshire was not well served by banks, building societies and post offices. 6 of the respondents believed that Mid Beds was well served, although 2 of these went on to say that people in **rural** areas are **not** well served by financial services. 3 respondents did not know.

The main comment was a concern over the closure of rural post offices.

20 respondents (67%) claimed that they had clients, constituents or group members that are experiencing financial problems or difficulties accessing financial services.

The main problems experienced were as follows:

Main Problems	No. of respondents indicating a problem*
Bank loan/credit card debts	13
Rent/Mortgage arrears	13
Problems with loan sharks	8
Can't open a bank account	9
Can't access a loan	8
Other problems	9

* The above figures do not include the responses from Bedford and Stevenage Credit Unions as they do not cover the Mid Beds area

Other problems included general complaints about financial services, general debt, short-term cash flow problems, special events such as Christmas, door knocking from the Provident, penalties and bank charges, council tax arrears as well as high cost loans.

Interest and support for a Mid Beds Credit Union

Out of all the respondents only 3 people were not aware of the credit union movement before receiving the questionnaire. Only 5 personally knew members of a credit union and only 6 were members themselves. (These figures included Bedford and Stevenage Credit Unions!).

All respondents could see the benefits of a credit union in Mid Bedfordshire apart from 3 housing association tenants, 2 of whom were unsure about the benefits and 1 felt that Mid Beds was too big to organise a credit union. 29 respondents indicated that the common bond should cover the whole of Mid Beds district. However, 3 felt that a Mid Beds Credit Union should cover Biggleswade and Sandy only with 1 respondent indicating a possible extension to East Mid Beds and possibly Ampthill and Flitwick.

Premises

11 respondents knew of possible premises that could be used for a Mid Beds Credit Union, 5 of whom were from, or tenants of, Aragon Housing Association – One MBDC Councillor also indicated that he may know of suitable premises.

It was suggested that Shefford Baptist Church could be used as premises, or other church buildings in the area. One advantage of the SBC being used is the location of an estate behind the church where potential clients live and many walk past the building to and from school every day.

Another suggestion was premises could possibly be shared in Biggleswade with a potential furniture and household goods project for Mid Beds. (Although funding for the project has yet to be finalized, this suggestion was discussed again at the consultation event on 18th May).

Setting up a Mid Beds Credit Union

8 respondents confirmed they would be willing to help set up a credit union in Mid Beds and 17 said they could 'possibly' help. Details are as follows:

Respondents that confirmed they would be willing to help set up a Mid Beds Credit Union came from:

- BREC
- Mid Beds District Council (2 Councillors)
- Bedford Credit Union
- Mid Beds CAB
- Aragon Housing Association
- Customer Panel of Aragon Housing Association

Some respondents indicated they could "possibly help" set up a Mid Beds Credit Union. They came from:

- Bedfordshire County Council
- Mid Beds District Council
- Home Start North and Mid Beds
- BRCC
- Shefford Baptist Church
- Stevenage Credit Union
- Customer Panel of Aragon Housing Association

Future support

When asked if there was any general help that respondents could give to support a credit union in the future – 14 confirmed their support and 16 said they could 'possibly' offer support in the future.

There were 3 positive confirmations that a respondent would be willing to help as a volunteer with a Mid Beds Credit Union – these came from:

- Stevenage Credit Union
- Customer Panel of Aragon Housing Association

However, 12 respondents indicated they *may* be able to help as a volunteer once the credit union was set up – these included:

- Mid Beds District Council (3 Councillors)
- Customer Panel of Aragon Housing Association Customer Panel (3 members)
- 5 individuals from :
 - Aragon Housing Association
 - Bedford Race Equality Council
 - CVS Mid and North Beds
 - Home-Start North and Mid Beds
 - Shefford Baptist Church

10 respondents said they would be willing to join a Mid Beds. Credit Union with 3 others claiming they may *possibly* join in the future.

Other general comments

A credit union combats financial exclusion particularly with Aragon Housing residents areas of Sandy, Biggleswade, Flitwick etc. Ties in with debt services Mid Beds CAB are providing.

There is an assumption that folk in Mid Beds are OK however there are individual families & groups for whom a CU would be useful.

Ideal for some of the clientele we currently support as debt management is not sufficiently serviced

BREC are keen to be part of the processes in helping to establish this valuable service and to adequately promote effectively to BME and other hard to reach groups

It seems a good idea, Mid Beds is missing out on opportunities other areas are making available to their people

[I can see the benefits] and think that probably Mid-Beds needs to be the coverage, however, I think an issue might be people's identification with such a large area, but understand the practical reasons for making such a suggestion.

A credit union was set up in Bedford so why not in Mid Beds

Many people need to be able to get low cost use of money. And also [a credit union] will show they can save and do-away with people like the Provident and loan sharks.

Mid Beds too big to organise a credit union and would require full-time staff and is open to abuse.

Conclusion from survey

The responses received were generally very positive and the majority could see the benefits of a credit union in Mid Beds.

As the number of response was fairly small no major conclusions could be drawn but some people said they would join the credit union and some would be willing to help set it up. These people need to be contacted again in the future.

Unfortunately, there was little response from Parish and Town Councils in the area and only one response from a church leader in the district. Some further publicity will need to be done for these groups in the future.

At this stage there was little commitment to sponsorship and funding of a Mid Beds Credit Union. This will obviously need to be explored further as funding will be a fundamental element to the success of a new credit union.

Other comments

As well as the returned questionnaires we also received some general comments during the consultation period including:

Sally Chicken (Credit Union East) - Sally's view is that it would be cheaper and better to extend Bedford Credit Union to cover Mid Beds. Ipswich and Suffolk Credit Union went through the process of extending its coverage from a Borough to the whole county and it was very easy and straight forward. They have just acquired PayPoint which removes the need for cash collecting in rural areas, and they are gaining rural members. It would be impossible to get enough volunteers in rural areas for the traditional collection points where volunteers take cash at a local venue. They expanded the bond in mid 2005 but December 2006 was the first month where more people from outside Ipswich joined than in Ipswich. So achieving sustainability would be a long slow process without the existing strong base in Ipswich

Annette Pacey (BPHA) - BPHA provides a voucher to cover the cost of credit union membership (£3) for every new tenant in the Bedford Credit Union common bond area. BPHA may be able to extend this to new tenants in their properties in Mid Beds if a credit union is set up there. BPHA may also want to become more involved in the credit union development at a later stage.

Colin Rowell (Co-operative Solutions) - They are based in Harlow. They also have a member of staff (Ian Leather) who is based at Norwich Council but who works part-time for Co-operative Solutions. Ian provides credit union support and has worked with a number of credit unions in the East of England including Stevenage Credit Union. He may be able to provide training for a credit union in Mid Bedfordshire as Co-operative Solutions have been awarded BASIS (Lottery) funding to provide training and support for community based credit unions in the East of England.

David Hopkins (Bedford Credit Union) - Giving his personal view, David felt it made most sense to look seriously at enlarging Bedford Credit Union with its existing infrastructure to take onboard Mid Beds rather than try and set up a new structure - as credit unions require many committees, volunteers and skills just to function.

3.4.4 Consultation Event

A consultation event was organised by Infotrain on behalf of the Mid Beds Credit Union Focus Group and was held at Mid Beds District Council offices on 18th May.

The aims of the event were to:

- Raise awareness of credit unions and their development
- Consult with stakeholders to identify the level of interest and practical support
- Agree the next steps and recommendations to the focus group

There were 27 attendees in total from a range of organisations:

- 3 Councillors from Mid Beds District Council
- 1 Mid Beds District Council Officer
- 1 Councillor from Bedfordshire County Council
- 4 Bedfordshire County Council Officers
- 1 member of Shefford Town Council
- 3 Customer Panel members (Aragon Housing Association tenants)
- 5 members of neighbouring credit unions
- 1 Church leader – Shefford Baptist Church
- 8 representatives of local agencies
 - Aragon Housing Association
 - Bedford Rural Communities Charity
 - Christian Family Care
 - Furniture Bank
 - Mid and North Beds CVS
 - Mid Bedfordshire CAB

The full list of attendees, and those that sent apologies, can be found in **Appendix 2**.

The event was chaired by Councillor Anita Lewis of Mid Beds District Council and the following speakers gave presentations:

- **Jill Dickinson (Mid Beds Credit Union Focus Group)**
Jill gave the background to the event and including the commissioning of the research into a credit union in Mid Bedfordshire.
- **Sally Chicken (Ipswich and Suffolk Credit Union / Credit Union East)**
Sally gave an overview of credit unions in the UK in terms of their background and development
- **Peter Doyle (Bedford Credit Union)**
Peter gave details of how BCU had developed and the services it provides to people in Bedford
- **Len Simkins (Infotrain)**
Len reported on the findings of this research and feasibility study to set up a credit union in Mid Beds

The key points that came out of the presentations, and the resulting question and answer sessions, were as follows:

- **Common Bond** – current thinking is that is better to go for larger areas increasing credit union viability though a larger membership
- **Partnerships with local agencies** – successful credit unions tend to have close links with other related agencies e.g. in the Eastern Region a member of the CAB is on the Board of each credit union. There are also collection points in some CAB offices.
- **Money advice** - preventative money advice at credit unions is now being seen as the way forward by the Government – regional publicity on this project is expected in the future.
- **Debt problems** - People with debt problems should be referred to a debt adviser at a CAB before a loan is granted. Instant loans are seldom provided.
- **Employer support** - having support from local employers can be a key factor in success for credit unions. Examples of employers that have been involved in other areas include: local councils; NHS Trusts; Fire Service; small to medium sized companies – who have a personal interest in the credit union. The ability to process payroll deductions is necessary for employers to promote a credit union.
- **Sustainability** - A successful credit union needs to replace the reliance on grants by generating more training income as the credit union grows.
- **Bad debts** – In the case of a bad debt, a loan can be re-scheduled but if this is not paid back a member can be taken to court for non-repayment of a loan. The FSA will only grant approval if sufficient funds are held in reserve to cover the possibility of bad debts.
- **Funding** - Funding for credit unions comes from a variety of sources. Bedford Credit Union's core work is self-financing but additional services are funded by Bedfordshire County Council, Bedford Borough Council, and BPHA.
- **Educational work with schools** - Bedford Credit Union is involved with children through schemes at four schools in Bedford. The importance of recruiting younger people to a credit union was emphasized as they are considered the future of the credit union movement.
- **Development Officer** – Having a Development Officer would be essential for the development of a credit union in Mid Beds. Volunteers do not have enough extra time, or usually the experience, to promote and increase the membership of a credit union. The Development Officer at Bedford Credit Union spent 1 month in Queens Park meeting people and going to schools to create awareness of the BCU.
- **Rural Credit Unions** – It is difficult to establish a credit union in a rural area. In the Eastern Region the credit unions were granted £5,000, in partnership with DEFRA, to invest in the PayPoint system. Each transaction costs 36p, or 42p at a Post Office.

The consultation event also included **3 group discussions** covering general views on setting up a Mid Beds Credit Union and future practical support. These views were fed back into a plenary session at the consultation event.

The main points that came from the discussions were the following:

- **General support** - Feedback was very positive. All participants were very supportive of developing a credit union for people in Mid Beds.
- **Common bond** – It was generally agreed that this should cover the whole of the Mid Beds district.
- **Expansion of Bedford Credit Union** - The suggestion that Bedford Credit Union should expand its common bond into Mid Beds was welcomed as the expertise of an existing credit union could be built upon. However, there were some concerns that BCU would ‘take-over’ Mid Beds. - so it would be important to involve as many people from Mid Beds as possible.
- **Name of credit union** - There were suggestions that there could be an unfavourable perception of the words ‘credit’ and ‘union’. Some thought should be given to changing the name of the credit union - especially as it will encompass Mid Beds as well as Bedford.
- **Involvement of young people** - This was considered to be very important. There was general support for the promotion of junior accounts and to get the involvement of schools and children’s centres. It was suggested that the MBDC Youth Participation Officer could be used to promote the credit union to young people.
- **Marketing** - Effective marketing would be essential to attract members from different sections of the community. This could be done via local councils, local agencies and local housing associations.
- **Employers** - It will be important to get support from as many of the larger local employers as possible in the district e.g. the councils, housing associations and employers such as Jordans.
- **Support from other organisations** - Need to get support from other groups (e.g. Town/Parish Councils, churches, schools, Youth Service etc.)

During the discussions various **practical support** was offered including:

- **Furniture Bank** - Kathy Lewis is in the process of setting up a furniture bank and training facility in Mid Beds. They may be able to provide premises for a credit union. They are hoping to launch within a year in Biggleswade plus have satellite premises in Ampthill and Flitwick. They could develop a 2 way referral system with a credit union. There is also the possibility of developing ‘mobile’ credit union collection points with Furniture Bank vans.
- **Bedfordshire Rural Communities Charity** - Could use their mobile IT classroom for money management training

3.5 Viability of a credit union in Mid Bedfordshire

The viability of a credit union mainly depends on the number of members it can attract. A key factor in this is the size of the local population.

Following our visits to neighbouring credit unions (see Section 3.4.1 in this report for details), we compared their statistics on membership levels and local populations.

BEDFORD CREDIT UNION

COMMON BOND AREA	POPULATION ⁴¹	MEMBERS	RATIO (MEMBERS / POP}
Bedford	78,260		
Kempston	19,510		
Rural Bedford	36,320*		
Biddenham	2,750		
Bromham	4,920		
Cardington	280		
Clapham	3,930		
Cople	700		
Eastcotts	3,640		
Elstow	2,900		
Great Barford	1,890		
Oakley	2,440		
Ravensden	700		
Renhold	1,740		
Stewartby	1,230		
Wilden	430		
Willington	800		
Wilstead	2,500		
Wootton	5,470		
Bedford, Kempston, parts of rural Bedford	134,090	1,100	1 in 122 (0.8%)

* Population figures only include those areas listed in the Common Bond of the BCU

⁴¹ Source : Population Estimates and Forecasts 2005 - Bedfordshire County Council – (Report based on ONS figures)

STEVENAGE CREDIT UNION

COMMON BOND AREA	POPULATION ⁴²	MEMBERS	RATIO (MEMBERS / POP}
Stevenage Borough Council	79,000	800	1 in 100 (1%)

HATFIELD CREDIT UNION

COMMON BOND AREA	POPULATION ⁴³	MEMBERS	RATIO (MEMBERS / POP}
Hatfield Welwyn District	100,500	400	1 in 251 (0.4%)

MONEY MATTERS CREDIT UNION

COMMON BOND AREA	POPULATION ⁴⁴	MEMBERS	RATIO (MEMBERS / POP}
North Luton	93,610*		
Houghton Regis	16,890		
Dunstable	33,830		
North Luton / Houghton Regis / Dunstable	144,330*	1,000	1 in 144 (0.7%)

* These figures are estimated and derived from population figures listed for Wards in North Luton. Total figures for Luton are 186,000

MILTON KEYNES CREDIT UNION

COMMON BOND AREA	POPULATION ⁴⁵	MEMBERS	RATIO (MEMBERS / POP}
Milton Keynes Unitary Authority	222,350	100	1 in 2,224 (0.05%)

⁴² Population Estimates and Forecasts 2005 - Bedfordshire County Council – (Report based on ONS figures)

⁴³ Population Estimates and Forecasts 2005 - Bedfordshire County Council – (Report based on ONS figures)

⁴⁴ Population Estimates and Forecasts 2005 - Bedfordshire County Council – (Report based on ONS figures)

⁴⁵ Population Estimates and Forecasts 2005 - Bedfordshire County Council – (Report based on ONS figures)

Based on the above figures the average ratio of credit union membership to the population in the common bond areas, for the well established credit unions visited, is 1 in 154 (i.e. a 0.65% penetration rate). **(NB** The figures from Milton Keynes Credit Union have been excluded from these figures as it is still a fairly new credit union in its formative stage).

The FSA sets a medium term aim for credit unions to achieve a 1% penetration of the common bond population. However, the FSA figures are based on the number of people of working age i.e. those between 16 and 65. This is roughly equivalent to a 0.6% penetration figure if the whole of the population is taken to account. Therefore the average penetration rate from the neighbouring credit unions is comparable to the FSA target.

As a comparison to the neighbouring credit unions, the population figures for Mid Bedfordshire are:

TOWNS	POPULATION ⁴⁶
Biggleswade	16,010
Sandy	11,170
Rural East Mid Bedfordshire	43,500
Ampthill	6,580
Flitwick	12,830
Rural West Mid Bedfordshire	35,400
Total population for Mid Bedfordshire	125,490

It is clear from the discussions we have had with neighbouring credit unions that to be come viable, and to begin to self-finance the core services, the credit union should attract at least 750 members.

If we take the 0.65% average penetration rate (of the credit unions we visited), it is clear that having a common bond in selected areas of Mid Beds would not provide a large enough population to make a viable credit union. For example:

Sandy / Biggleswade

This common bond would cover the two main towns

Population = 27,180 x 0.65% penetration rate = 177 members

⁴⁶ Population Estimates and Forecasts 2005 - Bedfordshire County Council – (Report based on ONS figures)

East Mid Beds (covering Sandy, Biggleswade and rural East Mid Beds - including Arlesey, Clifton, Henlow, Langford, Pottton, Shefford and Stotfold)

This common bond would cover the two main towns and the other more deprived areas in the district.

Population = 70,680 x 0.65% penetration rate = 460 members

It is only when the whole of Mid Beds is taken into account that a viable credit union becomes possible.

Mid Bedfordshire

This common bond would cover the whole district

Population = 125,490 x 0.65% penetration rate = 816 members

Therefore these figures show that for there to be any chance of developing a successful credit union in Mid Beds, the common bond should cover the whole of the district and not just parts of the district.

However it must be remembered that because the majority of the population (approximately 79,000) is based in rural areas, and therefore it will be more difficult to establish awareness and easy access collection points, the penetration rate of 0.65% may be difficult to achieve. A realistic target may be more like 0.4% - 0.5% penetration (of the whole population) which would result in 502 - 627 members.

This level of potential membership would probably not be enough to enable a new credit union to become self-financing with paid staff. However, this would be a reasonable number of members to sustain the growth of an existing credit union that was self-financing and that already had a secure structure.

3.6 Potential financial and practical support for a credit union in Mid Bedfordshire

Some credit unions have been started with very limited funds and have managed to survive on the committed goodwill of groups of volunteers. Small amounts of funding have often helped pay for the "Study Group" training and helped to buy basic furniture and material when a credit union is launched.

However, at the other end of the scale some "new model" credit unions (see page 11 of this report) are being set up with large investments of money. For example, the business plan for the credit union being developed in North Yorkshire has laid out potential investment requirements of over £750,000 for a 6 year period.

In Mid Bedfordshire the position is somewhere between those two extremes. For a small area like Mid Beds, with low levels of deprivation, it would be unrealistic to expect funding on the scale of North Yorkshire, but equally it would be unrealistic to expect credit union services to emerge simply through the goodwill of volunteers with little or no cash investment. Therefore for a credit union to be viable in Mid Beds, a reasonable level of guaranteed funding will be needed over an initial development period.

The obvious potential sources of this funding would be some of the key partners in the Mid Beds Credit Union Focus Group namely: Bedfordshire County Council, Mid Beds District Council, and Aragon Housing Association. During the research all three of these organisations have shown favourable signs of being able to provide some funding or financial support in the future because the development of a credit union fits in with their strategic plans.

Other funding sources that may be applicable are:

- East of England Development Agency
- Investing in Communities
- Awards for All (Big Lottery Fund)
- Learning and Skills Council
- ESF (Co-financing schemes)

As well as funding, a new credit union will need some practical support. Examples of this are:

- Directors with professional skills e.g. marketing, finance
- A team of volunteers to help administer the credit union
- Premises for a back office, and some accommodation for collection points - these would need to be provided free of charge, or at a subsidised rate, especially during the early stages of the credit union development
- Help with promoting the credit union

In the consultation survey, and at the consultation event, various people and organisations began to offer different levels of support in setting up the credit union. It will be very important to discuss these offers in more detail and to transfer them into secure commitments. (See Sections 3.4.3 and 3.4.4 above).

4. CONCLUSIONS, RECOMMENDATIONS AND FINANCIAL IMPLICATIONS

4.1 Conclusions

The main conclusions from this research and feasibility study are that:

1. **There is general support for the development of a credit union in Mid Bedfordshire.**

Although Mid Beds does not have high levels of deprivation there is still a need for a credit union because:

- There are pockets of higher deprivation within some wards and some hidden rural deprivation
- Financial services are relatively hard to access for some groups of people and because of the rural nature of the district
- There are increasing levels of personal debt problems in the area
- Credit union services are available in neighbouring areas but not in Mid Beds
- The development of a credit union is seen as an important outcome in the community strategies of local councils and other key organisations

A credit union in Mid Bedfordshire would:

- Provide financial services to local residents who are currently excluded from these services
- Reduce the financial exclusion of some residents in Mid Bedfordshire
- Have a positive impact on the community in general

It would also be important for any new credit union look into providing services for young people in terms of encouraging savings and promoting financial skills.

2. **A new credit union should not be set-up in Mid Beds**

Trying to start an entirely new credit union in Mid Bedfordshire would be very time consuming, costly and financially risky, given the small size of the district and the potential number of members.

The figures illustrated in Section 3.5 of this report show that establishing a completely new credit union would probably not be financially viable or sustainable in the long-term.

Therefore the overriding conclusion of this study is that, instead of trying to set up a new credit union, an existing credit union should be encouraged to extend its common bond into Mid Bedfordshire.

This idea of an existing credit union becoming larger is strongly supported by bodies that advise credit unions such as ABCUL and Credit Union East, and has been recommended in various research reports on credit unions. This is also the model that is more likely to be accepted by the FSA.

3. Bedford Credit Union should be invited to extend its common bond into Mid Bedfordshire

Bedford Credit Union is a well established credit union with over 1,000 members that has built up good structures and working practices, and has an excellent reputation. BCU already has an experienced Board of Directors and trained staff.

BCU already provides an effective service in the Bedford area which is beneficial to the local community. This was confirmed by an independent study that was undertaken in 2005 - see below.

Bedford Credit Union Social Return on Investment Analysis

This professional, independent analysis of Bedford Credit Union was undertaken in 2005. The conclusions from the analysis were very favourable and included:

- The main result of the analysis is that members, the public purse and the community (as represented by the local economy) are significantly better off because of the existence of Bedford Credit Union.
- The 'Net Present Value' ratio is 1:4.38, that is, for each pound invested in BCU the project returns £4.38. Moreover, the return is made in a relatively short period and would be considered a highly attractive investment in accounting convention.
- The results of the analysis demonstrate the value of this sector in the social economy in Bedford and the return to funders on the finance they give to BCU.

As BCU is also based in Bedfordshire the extension of its common bond would seem to be a logical and natural step rather than trying to extend a common bond across county borders. There are also many existing links between the Bedford and Mid Beds areas in terms of people crossing the district borders for working, shopping and leisure activities, as well as links between the local authorities and community organisations in terms of joint strategies, initiatives and projects.

From a practical point of view, Bedford Credit Union was also the only neighbouring credit union that we visited that was in a position to consider extending its common bond into Mid Beds.

4. Credit union services in Mid Beds should cover the whole of the district

From the research it was very clear that it would not be viable for a credit union to have a common bond that only covered selected parts of Mid Beds. The number of potential members from smaller areas (e.g. East Mid Beds) would not be sufficient to make a credit union financially sustainable.

The conclusion is therefore that any credit union services developed in Mid Beds should cover the whole of the district. This would fit in with ABCUL's recommendations to have larger, more inclusive common bonds rather than common bonds based on small local communities. It would also mean that everybody in Mid Beds could become a member which would make the credit union more inclusive and help to achieve a mix of members from more affluent areas as well as more deprived areas.

Nevertheless it would be sensible to target initial development work in the more deprived areas of East Mid Beds. To boost membership at an early stage it would also be a good idea to target the local authorities, and other large employers, to try to encourage staff to join the credit union.

5. Strong partnership support is needed for a new credit union

To be a successful "quality" credit union, it is essential to have strong support, and sponsorship, from key partners such as local authorities, large employers and other key organisations in the area.

4.2 Recommendations

It is recommended that, over the next few months, the following steps should be taken to develop a credit union in Mid Bedfordshire.

Summer 2007

The Mid Beds. Credit Union Focus Group should:

1. Distribute this research and feasibility study to all interest parties

The report should be sent to **all stakeholders involved in the consultation**. This will keep them up-to-date with developments and will give them a chance to give any feedback on the report.

The report should also be sent to the **Mid Beds Local Strategic Partnership**. This will, hopefully, result in endorsement from the LSP and will keep the development of a credit union within their strategic objectives. This will then give any later funding applications more chance of success. A presentation on the report could be given at the next meeting of the Mid Beds LSP on 13th September.

The report should also be sent to **Tackling Poverty Together Group** as they had initially helped set up the Focus Group. The report will give feedback to the TPT group who will then be able to pass the report on to their members and contacts. A presentation on the report could be given at the next meeting of the TPT Group on 16th October.

2. Write to Bedford Credit Union to formally ask them to extend their bond to cover the whole of Mid Beds.

This will help change the emphasis of the future development. Up to now, the development of a credit union in Mid Beds has been theoretical and purely aspirational whereas handing over responsibility to BCU will help the development move into a more practical stage.

3. Help develop a Mid Beds Credit Union Steering Group

Once Bedford Credit Union have agreed to take forward the development of credit union services in Mid Beds, it would make sense to disband the Focus Group. However, BCU will still need considerable support in the developmental stage and it is therefore recommended that some sort of Steering Group is established to oversee the development. This Steering Group should consist of the main stakeholders in the future credit union. Our recommendation is that the Steering Group should be facilitated by BCU.

The Focus Group plans to meet for the final time at the end of August. An update report should then be sent to stakeholders after the meeting inviting interested parties to join the Steering Group.

The work on developing the credit union should also be publicised at this stage to keep stakeholders up-to-date and to encourage future interest in developments especially from Town and Parish Councils and local churches.

Autumn 2007

The Mid Beds Credit Union Steering Group should support Bedford Credit Union to:

4. Draft a Business Plan (for the extension of BCU's common bond into Mid Bedfordshire)

The Business Plan will be a vital component in seeking approval from the FSA for the extension of BCU's common bond to cover Mid Beds.

The Business Plan should include:

- The initial costs of setting up a credit union service in Mid Beds and the ongoing costs of running a credit union
- A development plan, and targets, for membership growth in Mid Beds
- A strategy for publicising and marketing the credit union services in Mid Beds. This should include:
 - a possible re-branding or re-naming of Bedford Credit Union
 - use of local magazines and newsletters for publicity such as: *Horizon*, *We Love Bedfordshire*, *Intouch*, *Poverty News* and *The Villager*

- A strategy for recruiting and training a team of volunteers
- Governance arrangements for the extended credit union
- Plans for recruiting a development officer
- A strategy for raising future funds
- A risk assessment for BCU
- Details of the practicalities of running a credit union service in Mid Beds such as:
 - location of back office;
 - location of paying in points;
 - services to be provided by the credit union - special emphasis should be put on introducing innovative schemes such as:
 - electronic deposit and cash cards as currently being piloted by ABCUL
 - projects to encourage young people to become members

BCU may decide to write the Business Plan themselves or they may seek assistance from a consultant or another body (such as Cranfield Trust). Advice may also be available from ABCUL and the FSA.

Bedfordshire County Council has already committed a sum of money to help with this stage of the project.

5. Submit an application to the FSA (for the extension of BCU's common bond to cover Mid Beds.)

Once the Business Plan is complete, BCU should formally apply to the FSA to extend its common bond into Mid Bedfordshire.

6. Apply for longer term funding to help the development of a credit union in Mid Beds

Running in parallel with the drafting of the Business Plan, BCU should be considering applying for funding for its development work from 2008 onwards. Applications for funding could be made to: Bedfordshire County Council; Mid Beds District Council; Aragon Housing Association; Mid Beds Local Strategic Partnership; EEDA, LSC etc.

It is important to start the funding application process as soon as possible, especially to the councils, in order for budgets to be planned and allocated from April 2008.

Although any short-term funding would also be welcome, it is essential to get committed, longer-term funding to cover a set-up period of at least 3 years.

Winter 2007/08

Assuming the application to the FSA (see recommendation 5 above) and the applications for funding (see recommendation 6 above) are successful, the Mid Beds Credit Union Steering Group should support Bedford Credit Union to:

7. Plan for the launch of the credit union in Mid Bedfordshire in Spring 2008

This work would include:

- Planning the recruitment of a Development Officer (and possibly moving ahead with the recruitment if funding is secured)
- Planning the recruitment, and training, of a team of volunteers to help in the running of the credit union services in Mid Beds
- Planning a publicity campaign for the launch of credit union services
- Planning the handover of full responsibility for the development of the credit union to BCU

Spring 2008

Bedford Credit Union should:

8. Take over full responsibility (from the Steering Group) for the future development of credit union services in Mid Bedfordshire

At this stage BCU's Board will take over full responsibility for the new credit union services in Mid Beds.

However, as services would be provided in Mid Beds, it would be appropriate if some new Board members were appointed who had a specific Mid Beds interest or link.

9. Formally launch the new credit union service in Mid Bedfordshire

This launch should be arranged after the appointment of a Development Worker.

The initial services in Mid Bedfordshire will be very limited. The role of the Development Worker will be to build up services over a longer term period. To enable this to happen funding will need to be guaranteed for a reasonable period - ideally 5 years but at least 3 years.

The basic action plan for the development work (in Year 1) would be:

- Recruit one or two Directors (from Mid Beds) for the Board
- Recruit and appoint a Development Officer
- Recruit a team of Volunteers
- Train the Development Officer and the Volunteers
- Put the development plans into action (as outlined in the Business Plan)
- Arrange publicity for the new services as they are developed

4.3 Financial implications

If the above recommendations are adopted there would, of course, be various financial implications. Obviously it is only through drawing up a comprehensive business plan that full financial details can be laid out. However, in **Appendix 3** we have given an overview of the costs of adopting the above recommendations.

The summary of these costs are:

- **Recommendations 1-2** will cost about £400. This will be funded by Mid Bedfordshire District Council.
- **Recommendations 3-8** will cost about £4,700. This will be funded by Bedfordshire County Council.
- **Recommendations 9** will cost in the region of £125,000. This funding will need to be guaranteed for a reasonable period before the work on developing a credit union in Mid Bedfordshire can begin.

Further details of the costs of the development work (i.e. recommendation 9) over 3 years are given in **Appendix 4**. The total costs are estimated to be:

Year 1	£44,132
Year 2	£38,007
Year 3	£40,287
Total	£122,426

NB The above costs presume that some office space, and use of space at collection points, will be provided free of charge by local partners

If a contingency figure of £2,574 (approximately 2%) is added, this brings the total to **£125,000** over 3 years.

These figures will need to be reviewed as the credit union's Business Plan is developed in more detail. It should also be remembered that the costs are for a base level of development work and that the cost of enhanced services (e.g. subsidised use PayPoint facilities for members) are not included.

The long-term aim will be for the core credit union services in Mid Bedfordshire to be self-financing and not be reliant on external funding.

APPENDIX 1

ACKNOWLEDGEMENTS

Infotrain would like to thank a number of people who provided invaluable support and help in this project.

Our thanks go to (in alphabetical order):

Alison Rose (Stevenage Credit Union) - for providing information during the research visit to Stevenage Credit Union

Anita Lewis (Mid Beds District Council) - for chairing the consultation event

Annie Corbet (Money Matters Credit Union) - for providing information during the research visit to Money Matters Credit Union

David Wood (DK Wood Consulting) - for help with the desk-top research, and the research visits to Stevenage Credit Union, Hatfield Credit Union and Money Matters (Luton) Credit Union.

Deborah Langford (Milton Keynes Credit Union) - for providing information during the research visit to Milton Keynes Credit Union

Graham Ghaleb (Milton Keynes Credit Union) - for providing information during the research visit to Milton Keynes Credit Union

Jill Dickinson (Mid Beds District Council) - for chairing the Mid Beds Credit Union Focus Group, providing general support to Infotrain during the project, and for speaking at the consultation event

Jenny Hedges (Mid Beds CAB) - for attending Focus Group meetings, providing statistics on CAB services, and facilitating a workshop at the consultation event

Kim Norris (Bedford Credit Union) - for providing information during the research visit to Bedford Credit Union

Lindsay Mitton (Bedfordshire County Council) - for attending Focus Group meetings and note taking at a workshop at the consultation event

Mark Smith (Mid and North Beds CVS) - for help in contacting stakeholders, attending, and organising the minutes of, Focus Group meetings, and facilitating a workshop at the consultation event

Peggy Hogan (Stevenage Credit Union) - for providing information during the research visit to Stevenage Credit Union

Peter Doyle (Bedford Credit Union) - for general advice and support for the Focus Group, providing information during the research visit to Bedford Credit Union, and for speaking at the consultation event

Peter Heyman (Hatfield Credit Union) - for providing information during the research visit to Hatfield Credit Union

Ray Busby (North Yorkshire District Council) - for providing information on the development of a credit union in North Yorkshire

Sally Chicken (Ipswich and Suffolk Credit Union) - for providing information for the research, and for speaking at the consultation event

Sarah Hughes (Bedfordshire County Council) - for attending Focus Group meetings and providing general support during the project

Steve Hill (Aragon Housing Association) - for attending Focus Group meetings and providing general support during the project

Steve Nash (Aragon Housing Association) - for attending Focus Group meetings and arranging for a group of tenants from Aragon's Customer Panel to attend the consultation event

Sue Walmsley (Infotrain) - for providing administrative support at the consultation event

Susannah Rastall (Virtual Support Solutions) - for help with the desk-top research, the research visit to Milton Keynes Credit Union, the consultation survey, the consultation event, and writing the final report

Tony Bailey (Hatfield Credit Union) - for providing information during the research visit to Hatfield Credit Union

Thanks also go to:

Aragon Housing Association, Mid Beds District Council and Bedfordshire County Council for funding the research and feasibility study

Mid Beds District Council for hosting the consultation event on 18th May and to **Bedfordshire County Council** for funding the refreshments and lunch

Ipswich and Suffolk Credit Union and Just Credit Union (Shropshire) for providing general information on their credit unions

APPENDIX 2

CONSULTATION EVENT - PARTICIPANTS

The **participants** at the consultation event at Mid Beds District Council on 18th May were:

Chair

Cllr Anita Lewis Mid Beds District Council

Speakers

Jill Dickinson Mid Beds District Council (CU Focus Group)
Sally Chicken Ipswich and Suffolk Credit Union / Credit Union East
Peter Doyle Bedford Credit Union
Len Simkins Infotrain

Participants

Cllr Nigel Aldis Mid Beds District Council / Sandy Town Council
Alexandra Austin Trading Standards (Beds County Council)
Geoffrey Barham Shefford Town Council
Josiah Biney Customer Panel (Aragon HA)
Carolyn Compston Aragon Housing Association
Peter Fisher Customer Panel (Aragon HA) / Shefford Town Council
Jenny Hedges Mid Bedfordshire CAB (CU Focus Group)
Peggy Hogan Stevenage Credit Union
Vera Holland Customer Panel (Aragon HA)
Sarah Hughes Bedfordshire County Council (CU Focus Group)
Laurie Hurn Bedfordshire Rural Communities Charity
Gail Jameson Home-Start North & Mid Beds
Kathy Lewis Furniture Bank
Lindsay Mitton Bedfordshire County Council (CU Focus Group)
Pat Palmer Stevenage Credit Union
Susannah Rastall Infotrain
Ginny Redbond Christian Family Care
Cllr John Scott Bedfordshire County Council
Cllr Mark Smith Mid Beds District Council / Mid and North Beds CVS (CU Focus Group)
Rev Steve Summerfield Shefford Baptist Church
Cllr Tricia Turner Mid Beds District Council
Sue Walmsley Infotrain
Tony Warren Bedford Credit Union
David West Customer Panel (Aragon HA)

The following people sent their **apologies**:

Wendy Anderson-Welsh Bedford Race Equality Council
Nadien Dorries MP MP for Mid Bedfordshire
Den Fensome Customer Panel (Aragon HA)
Cllr Brian Golby Mid Beds District Council
Deborah Harley Customer Panel (Aragon HA)
Steve Hill Aragon Housing Association (CU Focus Group)
Pat Horn Consultant
Cllr Bob King Bedfordshire County Council
Cllr John Lewis Mid Beds District Council
Wendie Lovatt Home-Start North & Mid Beds
Steve Nash Aragon Housing Association (CU Focus Group)
Annette Pacey BPHA
Cllr Robin Younger Bedfordshire County Council

APPENDIX 3

FINANCIAL IMPLICATIONS OF THE RECOMMENDATIONS

Recommendation	Responsibility	Work required	Cost	Funding source
1. Distribution of the research and feasibility study to all interested parties	Mid Beds Credit Union Focus Group and Infotrain	Photocopying and distribution of report Presentation on report at LSP and TPT meetings (1/2 day's work)	£100 £150	Mid Beds District Council
2. Formal request to Bedford Credit Union to extend their bond to cover the whole of Mid Beds.	Mid Beds Credit Union Focus Group	Letter to Bedford Credit Union from Mid Beds Credit Union Focus Group	£0	---
3. Encouragement to form a Mid Beds Credit Union Steering Group	Mid Beds Credit Union Focus Group, and Infotrain	Production and distribution of update report and other publicity to stakeholders (1/2 day's work)	£150	Bedfordshire County Council
4. Drafting a Business Plan (for the extension of BCU's common bond into Mid Bedfordshire)	Mid Beds Credit Union Steering Group and Bedford Credit Union	Drafting of business plan (5 days work) BCU management fee (15%)	£1,500 £225	Bedfordshire County Council

Recommendation	Responsibility	Work required	Cost	Funding source(s)
5. Submitting an application to the FSA (for the extension of BCU's common bond to cover Mid Beds.)	Mid Beds Credit Union Steering Group and Bedford Credit Union	Drafting and submitting application to FSA (2½ days work) BCU management fee (15%)	£750 £112.50	Bedfordshire County Council
6. Applying for longer term funding to help the development of a credit union in Mid Beds	Mid Beds Credit Union Steering Group and Bedford Credit Union	Work on funding applications for credit union development (3 days work) BCU management fee (15%)	£900 £135	Bedfordshire County Council
7. Planning for the launch of the credit union in Mid Bedfordshire in Spring 2008	Mid Beds Credit Union Steering Group and Bedford Credit Union	Management and facilitation of 3 Steering Group meetings in 2007/08 (3 days work) BCU management fee (15%)	£900 £135	Bedfordshire County Council
8. Accepting full responsibility for the future development of credit union services in Mid Beds	Bedford Credit Union	Letter from Bedford Credit Union to Mid Beds Credit Union Steering Group	£0	---
9. Formal launch of the new credit union service in Mid Bedfordshire	Bedford Credit Union	See below for further details on recommendation 9	£125.000	Possible funders are: Bedfordshire County Council; Mid Beds District Council; Aragon HA etc.

APPENDIX 4

COST OF THE DEVELOPMENT WORK

Development Work - Costs (Year 1)

Development Worker	
Salary (SO1 - Spinal Point 29)	£23,175
Employer's NI costs	£2,301
Recruitment costs	
Development Worker	£1,000
Trustees and Volunteers	£500
Computer, printer, telephone and other IT equipment	£1,000
Filing cabinets and other office furniture	£1,000
Office stationery	£500
Training	
Development Officer	£500
Trustees and Volunteers	£2,400
Publicity costs	
Adverts and features	£1,500
Posters and leaflets	£1,000
Other	£500
Travel costs	
Development Officer	£1,500
Trustees and Volunteers	£1,000
Other costs	£500
Sub-total	£38,376
Management costs (at 15%)	£5,756
TOTAL	£44,132

NB The above costs presume that some office space, and use of space at collection points, will be provided free of charge by local partners.

Development Work - Costs (Years 2 and 3)

Development Worker	
Salary (SO1 - Spinal Point 29)	£23,175
Employer's NI costs	£2,301
Office stationery	£500
Training	
Development Officer	£500
Extra Volunteers	£500
Publicity costs	
Features and adverts	£750
Posters and leaflets	£500
Other	£250
Travel costs	
Development Officer	£1,500
Trustees and Volunteers	£1,000
Other costs	£500
Sub-total	£31,476
Management costs (at 15%)	£4,721
TOTAL COSTS (Base figure)	£36,197
Inflationary increase for Year 2 (5%)	£1,810
TOTAL (for Year 2)	£38,007
Inflationary increase for Year 3 (6%)	£2,280
TOTAL (for Year 2)	£40,287

NB The above costs presume that some office space, and use of space at collection points, will be provided free of charge by local partners.