

By: Kevin Lynes – Cabinet Member for Regeneration
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Development

To: Cabinet – 20 April 2009

Subject: **KENT CREDIT UNION**

Classification: Unrestricted

Summary: To seek agreement to the interim governance structure for
the proposed Kent Credit Union.

FOR DECISION

INTRODUCTION

1. As Members are aware Officers have been developing proposals with partners for the setting up of the Kent Credit Union to be launched in October 2009. This activity follows an earlier paper which went to Cabinet in January 2008.
2. On the 19 February it was announced that KCC would allocate £250k to this development.
3. An IMG has been meeting regularly since early 2008 chaired by John Simmonds and have been actively involved in development of proposals.
4. A wide ranging stakeholder group has been meeting at regular intervals to give their input into proposals and has grown in number to approximately 40 people.
5. An internal officer group has met regularly to ensure that representatives from across all directorates are engaged in and aware of developments.
6. We are now bringing a paper to Cabinet to outline proposals and in particular the Governance arrangements.

GOVERNANCE PROPOSALS

7. The application to the FSA for Credit Union authorisation will be made from The Kent and Medway Financial Inclusion Partnership which has been set up for this purpose.
8. The Kent Credit Union will be set up as a mutual co-operative organisation and governed by a Board of Directors.
9. A shadow board has been identified with representatives from a number of organisations across the county including Housing Associations, CAB's and representatives from some of the existing Credit Unions. There has been a skills based recruitment process to ensure that the shadow board has a mix of people from

across the County making up the breath of expertise required for successful operation.

10. KCC will have representation on the shadow board through John Simmonds with Officers providing an observer and support role to the shadow board initially.
11. A sub committee will be established in-line with the FSA regulations for Credit Unions called the supervisory committee; this will have responsibility for internally auditing and regulating Credit Union operations. KCC will be providing senior representatives for this committee from Trading Standards and Finance.

FINANCE AND RISK

12. A detailed financial plan for the Credit Union has been prepared by a consultant experienced in running credit unions. This covers both the running costs and the loan book over a 5 year period. This currently shows a projected £468k deficit on the running costs over the 5 year period. The plan assumes levels of lending capital and share requirement which if not met would increase this requirement.
13. KCC has committed one-off funding of £250k.
14. What is clear is that for us to have a viable Credit Union which will get FSA approval other sources of funding will have to be identified. This will be a major issue for the new board supported by KCC officers.
15. KCC itself ultimately would not support proceeding unless there was sufficient support from other partners in the county.

EXISTING CREDIT UNIONS

16. Cabinet Members will be aware that there are 3 existing Credit Unions in Canterbury, Medway and Thanet.
17. Negotiations with these Credit Unions have been ongoing for over a year and we are working towards agreeing a memorandum of understanding to outline how these organisations will work with the proposed Kent Credit Union.

PROPOSED KENT CREDIT UNION BUSINESS PLAN

18. The draft business plan for the proposed Kent Credit Union (Appendix 1). This business plan will form a key part of the Kent Credit Union application when finalised.

NEXT STEPS

19. The next steps are:

- (1) Establish financial viability for the Kent Credit Union – 3 years funding to be secured prior to application to FSA.
- (2) Proceeding with application to the FSA (authorisation can take up to 6 months).
- (3) Confirming KCC involvement in the future long term governance structures for the Kent Credit Union.

CONCLUSIONS

20. Developing the Kent Credit Union proposals has been a long term process as it was felt to be essential to take the time and effort to ensure we:
 - (1) Engage the relevant stakeholders in the local area and local partner organisations.
 - (2) Develop the model to ensure that it meets the needs of Kent residents.
 - (3) Develop a funding strategy for obtaining the appropriate income levels to make this venture successful.
21. With regard to financial risk, set up costs, running costs and capital financing requirements for a viable credit union have been calculated as part of the business plan. This will require funding to be provided from a range of partners.
22. A final decision on KCC support will be taken when the overall funding position is clearer.

RECOMMENDATIONS

23. Members are asked to agree the following:
 - (1) Establish a Board of Directors to oversee the operations and agree for John Simmonds to act as KCC's representative on this Board.
 - (2) Establish a supervisory sub committee with senior representatives from Trading Standards and Finance.

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Background documents - Nil