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ACE Conference & AGM

13th - 14th May 2016 - North Tyneside

A total of 50 delegates, representing 12 of the credit unions currently affiliated to ACE, about one third of the total membership, attended this year's Annual Conference over its two days, during which they were able to enjoy a total of twelve very informative presentations or workshops.

The completed evaluation forms showed that the conference itself was very well received (see feedback summary, page 6).

Conference delegates were welcomed by the Mayor of North Tyneside, Norma Redfearn, who underlined the importance of extending the services of credit unions to everybody in what had been chosen as the North Tyneside Year of Credit Unions.

The presentations are summarized on pages 2 and 3, and at www.acecus.org/Annual_Conference_2016 (where the presenters' slides can be viewed).

2016 AGM Motions

Two motions with amendments were put to ACE delegates at the 2016 AGM and both were accepted by a majority of those credit unions that voted.

Motion 1 –**Submitted by the ACE Board**

"All ACE affiliated credit unions will be expected to send a copy of their Quarterly Return and Annual Return to the CEO of ACE at the same time that these are sent to the Regulators."

Proposed Amendment 1: Moneywise Credit Union

"ACE Credit Union Services welcomes prompt payment and compliance with the rules of the association. Where payment is received on time, supported by submission of regulatory returns the cost of membership is £0.60.

Non-compliance of rules or late payment of fees the cost of membership is £0.65 per member."

Motion 1 was approved by voting delegates and the proposed amendment was seconded and also accepted by delegates to be added to Motion 1.

Motion 2 -**Submitted by the ACE Board**

"Having looked into the potential for ACE to merge with a similar type of trade association the Board recommends that at this moment in time, with ACE being self-sustaining, we should not continue the discussions with UKCU to merge. This decision will be reviewed on an on-going basis by the Board should circumstances change. The Board also recommends that we continue to work collaboratively with UKCU on Consultation responses and on the

delivery of the Barclays Credit Union Support Programme over the next three years."

Proposed Amendment 1: West Lothian Credit Union

"ACE Credit Union Services will investigate the possibility of offering its members a Death Benefit Scheme similar to that which UKCU offers to its members. That ACE Credit Union Services would set up and administer the scheme on behalf of members and charge accordingly. If agreed by the membership, ACE Credit Union Services would come back to the ACE Board of Directors with differing options for discussion."

Motion 2 was approved by voting delegates and the proposed amendment was seconded and also accepted by delegates to be added to Motion 2.

Conference presentations

Managing Credit Unions in Distress and Insolvency

Dina Devalia - Associate Partner - Cork Gully LLP

The afternoon session was started by Dina Devalia, a licensed insolvency practitioner, who talked about the causes, processes and likely outcome of credit union insolvency. She identified some key indicators of financial distress which included the withdrawal of grant funding, imprudent lending decisions, loan book arrears and poor credit controls, poorly documented systems and controls, and management accounts showing costs exceeding income on a regular basis.



Dina underlined the regulatory duties of credit union directors and the risks involved in not keeping the regulators informed of problems and failure to wind-up a credit union when it was no longer viable.

Struggling credit unions need to plan how they intend to resolve their difficulties either by increasing income and reducing costs or by considering the possibility of a merger with a neighbouring credit union. If all such options fail then credit unions need to assess that insolvency is the only possible option to pursue. Dina stressed the importance of keeping the regulator informed of all material developments.

The DWP's recent work with British credit unions

Lindsay Watt - Department for Work and Pensions

Lindsay started by saying the DWP and the UK Government believe that it is essential that everyone has access to affordable, good quality financial products and that credit unions have a role in providing this vital service.

The current Credit Union Expansion Project (CUEP) told us that the project, which started in 2013, has supported 74 credit unions although only 35 will now be entering the final stage of the project in contract with *Fiserv*, an American company with a record of providing services to American credit unions and to *Tesco Bank* in the UK.

On a positive note, CUEP has introduced an Automated Lending and Decision System (ALDS) to 71 credit unions. CUEP has also introduced localised marketing strategies several other credit unions.

Lindsay went on to highlight how the DWP had worked with credit union trade associations and across government to gain support for the credit union

sector, including the payment of Universal Credit to all credit union accounts and working across government departments to promote payroll deductions into credit unions.

The DWP has also worked with the Ministry of Defence to support the provision of credit union services to armed forces personnel and with the Church of England on the *Lifesavers* project in schools. Credit unions have also been promoted to DWP employees and across the Jobcentre Plus network and 3 English credit unions have been selected to cover DWP employees payroll deduction payments.

CWCDA Virtual Training Pilot

Mandy Bygrave - Senior Business Outreach Coach - CWCDA

Mandy spoke briefly about the pilot virtual training scheme that is being piloted in partnership between ACE and the Coventry & Warwickshire Co-operative Development Agency (CWCDA) since February 2016. To date modules on the new *Senior Managers' Regime*, *Directors' Roles & Responsibilities* and *Understanding Financial Information* have been delivered with *Money Laundering* training due to be delivered in May 2016. Feedback from these sessions has been very positive and a further set of modules will be delivered in 2016 including sessions on *Understanding Your Loan Portfolio* (June), *Marketing* (September), *Directors' Roles & Responsibilities* (October) and *Supervisory Committee Roles & Responsibilities* (November). Following the delivery of these sessions the Board will review the pilot scheme and decide on whether it will be continued into 2017.

Welsh Government Support for Credit Unions

Bill Hudson - Chief Executive Officer - ACE Credit Union Services

Bill gave an impromptu presentation to delegates on Welsh Government (WG) support for Welsh credit unions. Since 2001 the Welsh Government has provided in excess of £14 million to credit union development in Wales, which has seen membership increase from 10,000 in 2001 to around 80,000 in 2016. Combined with European Funding support the funds have been used to aid credit unions to purchase premises, employ staff and to market credit unions in Wales. Bill, who has been involved in credit union in Wales since 1990, said that the support that credit unions had received from the Welsh Government had been invaluable although he felt that the money could perhaps have been better spent had it been more strategically targeted instead of being spread regionally.

Of the 20 credit unions in Wales, as many as 17 had benefited in some way from this. Many of the Welsh

credit unions are now self-sustaining although there are still a number that will need to think carefully about their future development when WG funding comes to an end in March 2017.

Welsh credit unions have worked collaboratively to write and deliver a *Welsh Credit Union Strategy* that will be delivered to the new Minister for Communities following the latest WG elections in May 2016. ACE has been involved in meetings of the WG's Credit Union Collaboration Group which have taken place over the past year.

Scottish Parliament Support for Scottish Credit Unions

Nancy MacGillivray - Treasurer - ACE Credit Union Services

Nancy followed Bill's presentation by speaking about the Scottish Parliament's support for Scottish credit unions over the past year. Unlike Wales, the Scottish Parliament had provided very little direct funding support over the past decade although there was a similar high level of cross-party support for the development of credit union sector in Scotland. In Glasgow around 20% of the adult population are members of a credit union so in many ways the movement is more established in Scotland than in Wales.

The Scottish Parliament has set up a Scottish Credit Union Working Group which ACE has been involved in with other key stakeholders, including ABCUL, the Scottish League of Credit Unions and Citizens Advice Scotland. The Working Group has looked at ways in which the credit union sector could be promoted; how the capacity of Scottish credit unions could be grown to serve a wide and diverse membership and promote long term saving, where it has decided to focus on making credit union payroll deduction schemes a standard workplace benefit; and on financial education with schools and credit unions working in partnership. To support these priority areas, the First Minister has written a letter urging employers to set up payroll deduction schemes and a Junior Savers fund of £300,000 to support the work of credit unions in schools.

Standards of Governance

Paul Williams - Manager in Mortgages and Mutuals - Financial Conduct Authority



Paul spoke about the benefits of good governance systems in credit unions which show a clear organisational structure compliant with the Senior Managers Regime and clear reporting lines so that individuals know what they are responsible for and to whom they should report.

The credit union business plan document should provide direction purpose and clear milestones,

allowing credit union to measure success. Credit unions need well documented policies and procedures so that everybody knows what they need to do, and they need committees with clearly defined roles. There is also a need for effective processes to identify, manage, monitor and report any risks to the credit union. Credit unions which fail to follow these basic principles of governance are exposed to possible regulatory action.

Common governance issues include a lack of understanding of CREDS, Supervisory Committee members not understanding their role, unclear roles and responsibilities, and a difficulty in recruiting and retaining people with appropriate skills on the Board.

The 2014/15 FCA Credit Union Survey showed that 21% of credit unions questioned had no business plan, with 44% having no consideration of the legal and regulatory requirements.

Paul highlighted the importance of Succession Planning for all credit unions.

Some examples of things that the FCA had seen in dealing with credit unions was a lack of direction with no clear leadership, Board members being too involved with the day to day running of the credit union, conflicts of interest being ignored and policies not being reviewed. Paul urged all credit unions to have a documented system of control, have up to date policies and procedures manual, have a business plan that is regularly reviewed, and a succession plan to prepare for board and staff changes.

Changes to the credit union sourcebook CRED

Chris Donald - Senior Manager Credit Unions - Prudential Regulation Authority

Chris spoke about the PRA's recent publications relating to changes to the credit union sourcebook CREDS which came into force in February 2016. The PRA had sought to put in place a framework flexible enough to accommodate all credit unions both small and large. Paul explained that the majority of credit unions would not be materially affected by the CREDS changes. Credit unions operating a basic "savings and loans" business model will still have to comply with either the 3% or 5% capital/assets requirement and be required to have their Single Customer View in good order and readily available to the Financial Services Compensation Scheme. Under the new framework credit unions are able to choose the activities they want to pursue but will have proportionate additional requirements tailored to the chosen activity with no regulatory application or permission being required. The four additional activities are Mortgage business, which comes with a



significant conduct framework; Additional Lending (1.5% of total shares + attached shares, 10 years unsecured and 25 years secured); Additional Investment (maximum of 5 years as long as the product is capital protected); and Transactional accounts, regularly used by a member for the receipt and disbursement of funds from and to third parties. A credit union carrying out any additional activity must ensure that the Board monitors and assesses the risk associated with carrying out such activities on at least a monthly basis. The 10% capital requirement for larger credit union will be flexible with an 8% core capital requirement and a 2% buffer which can be drawn on if necessary. Chris reported that the vast majority of credit unions had met the deadlines for the implementation of the Senior Managers Regime and that, after a period of consultation, electronic reporting was likely to become compulsory.

Working Towards a Systematic Approach to Credit Union Governance



Paul Jones - Liverpool John Moore's University

Paul started his session by saying that credit union governance was still very much the responsibility of the elected Board of Directors but that in recent years the way that credit unions are governed and managed has changed dramatically for many of them. Previously the functions of governance and management had overlapped, but in recent years we have witnessed a transition to a more professional form of management. Many directors have found it difficult to let go of operational engagement and concentrate on the specific Board function of governance. The word "Governance" derives from the Latin word "Gubernare", which basically means to pilot or to steer the ship. Key findings from Paul's research tell us that credit union boards are taking action on clarifying directors' roles and responsibilities; strengthening director recruitment; focusing more on strategic planning; monitoring performance of strategic objectives; management information; more robust

internal audit arrangements; considering the significance of risk governance and the accountability of the Board to the membership. Paul said that Strategic Planning was central to effective governance, setting out long term goals and measurable objectives. The Board should then test and challenge the CEO materials and ensure that the plan conforms to values and purpose. Credit unions also require a risk register and a financial plan. On Director recruitment and succession, Paul said that that credit unions need the specific skills and competencies that are required of directors to fulfil their particular roles. Key to good recruitment is the need for a succession action plan and a system of induction, training and development. The relationship between the Board and CEO needs to be clearly defined, with the CEO having the responsibility for the delivery of the strategic plan. The Chair should have prime responsibility for liaison with the CEO outside of Board meetings. Boards need to identify potential risks and decide on risk tolerances and ensure that these are reviewed and assessed on a regular basis.

Automation

Phil Goad - Chair, Moneywise Credit Union



Phil introduced himself as a relative newcomer to the credit union movement who has a history in the private sector working for organisations such as Granada TV Rentals, Telebank and Homebuy. His initial impression of credit unions, when he first joined the *Moneywise* Board in 2014, was of a highly regulated, public sector orientated, non-growth/task focussed, non-customer focussed, non-target driven organisation that he described as a "comfortable pair of shoes". Phil believed that *Moneywise* needed a change of culture driven by actions, KPIs and reviews, and he found that the Board was willing to listen and try to become more customer focussed rather than being "a secret loan club".

He described one of his earlier credit union experiences, at the CUEP Conference in 2014, as being like a private members' club working in a controlled environment with a controlled message which had cost tax payers in excess of £30m. Phil asked the question "Where do credit unions fit in the consumer credit market?" and he highlighted the

success of the likes of Provident, Shopacheck and Brighthouse and suggested that there were some routes to the market that credit unions could replicate - including the concept of "Recommend a Friend" for which individuals are compensated after a new customer has made two payments on time and in full.

He also felt that credit unions failed to communicate with members once they had paid off their loan and not yet taken up another product. He also suggested that credit unions should re-examine their loan decline procedures and become more focussed on daily, weekly and monthly payments. Phil said that change is one of the main challenges facing credit unions and concluded by asking if we want to remain in our comfortable pair of shoes or whether we want to try a brand new pair that would be preferable, although this may involve some initial discomfort.

Success in Lending

Ken Dunn - Executive Director - TransaveUK Credit Union

Ken introduced himself as one of three paid executive directors at *TransaveUK*, an employee based credit union that has been in existence since 1996. Since the turn of the century, *TransaveUK*'s assets have grown from around £550k to almost £23m. Over the same time period the *TransaveUK* loan book has risen from £520k to almost £18m giving a loans to assets ratio of around 78%. Bad debt ratios over the life of the last 10 years average out at just 2.5%. *TransaveUK* has an active membership of around 11,000 members. The *TransaveUK* performance compares very favourably to the overall credit union movement which in December 2015 averaged out at just 56% loans to assets. The PEARLS ratio target is recommended to be 70%-80%. Ken said that *TransaveUK* has a "less risky" membership than many community based credit unions as 90% of all payments are received via payroll deductions. Ken also said that *TransaveUK* believes in responsible lending but also said that they are not too risk averse. They use the Automated Lending and Decision System but are prepared to be lenient on the lending criteria. A success factor highlighted is the speed of loan decision making, with a 3 day turn around from application into the member's bank account. To achieve this *TransaveUK* has scrapped its credit committee and outsourced the internal audit function. Also key to success is having simple and clear loan products at competitive interest rates for the credit union's particular membership portfolio, with interest rates varying from 4% (for secured loans up to £10,000) to 30% (for an instant loan up to £500 not linked or attached to shares).



Automation

Andrew Breese - CEO, Moneywise Credit Union

Andrew spoke about the benefits of automation, which include increased productivity, increased speed, reduction in the number of errors and reduced waste. *Moneywise* now uses Kanban Boards which are a work and workflow visualisation tool that enables you to optimize the flow of your work. Using these boards, all members of the credit union team can see the progress and pick an activity without the need for meetings or communication.

Moneywise also uses the Lean Process which focusses on the reduction of waste to improve overall customer value. Lean aims to eliminate any extra time, labour or material producing a product or service without adding value.

Products and services are therefore only generated for a specific customer order rather than being added to an inventory. The goals of the lean process are to improve quality, eliminate waste, reduce lead time and reduce total costs. Lean shows us how to recognise and eliminate waste and not to accept it as the "way things have always been done around here". Lean identifies seven deadly wastes that include inventory (unneeded files, unnecessary copies and excessive unread emails); overproduction (producing reports before they are needed); overprocessing (multiple approval signatures or entering data in multiple systems); transportation (filing or saving documents that will never be used again); motion (selecting additional fields to retrieve previous information or searching for misplaced files); waiting (delays in getting feedback/decisions from peers or top management).

The *Moneywise* loan application process has now been changed dramatically, eliminating questions that the credit union already knows the answer to. To improve the customer experience, *Moneywise* has introduced automatic form filling, automatic decision making, automatic credit agreements and electronic signatures, all of which has resulted in the loan application process being reduced from 5-7 days to 1-3 days. As a result, delinquency has reduced by 25%. *Moneywise* now uses *cuForms* which fully automates the application process with automated ID checks, automated credit checks, emailed updates and automated decision making.



Welcomes and Goodbyes to and from the Board

Two new directors were elected onto the ACE Board at the 2016 AGM. David Eadie, from Falkirk District Credit Union in Scotland, and Sue Gurney, from Clivey Credit Union in Swindon, were both nominated and accepted as new Board members by the AGM delegates.

David's interest in the credit union movement began in 1995 when he became a Board member of the Falkirk District Taxi Trades Credit Union. The Taxi Trades Credit Union then merged with Westquarter Credit Union in 2007 to form the now Falkirk District Credit Union. Positions held on the Board have included being a Member of Loans Committee,

Assistant Treasurer, and Treasurer, Money Laundering Officer, Vice Chairman and Chairman.

Sue has been involved with the Clivey Credit Union for the past 16 years and has had a variety of roles including being the Money Laundering Officer and currently Assistant Treasurer. She has also been actively involved with the Swindon Credit Union Forum for the past 16 years.

Whilst welcoming David and Sue to the ACE Board we also said goodbye to Dorothy Brown also from Clivey Credit Union. Dorothy has been involved with credit unions since 1996, had been a Board member of ACE for the past 6 years. Dorothy who is retiring and moving to live in the Isle of Wight, was presented with a bouquet of flowers by Nancy MacGillivray the ACE Treasurer.

CEO Plans to Visit the Majority of ACE Credit Union 2016-2017

In his report to delegates at the Newcastle AGM, CEO Bill Hudson, made a commitment to visit the majority of ACE member credit unions in the year between this year's and next year's Conference which will be held at a venue to be decided in the Midlands. Hopefully this will give you the opportunity to let the ACE Board know what you think ACE is doing well and what it could be doing better. Wherever possible it would be good to see a number of bordering credit unions on the same day to lower the costs of travel. With this in mind visits have already been planned to the Midlands in June 2016, the North East and North West in July. So that leaves the South West, Jersey, Scotland and Wales. Have a think about when you would like Bill to visit your area and contact him to arrange a convenient time and date.

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Conference Feedback

Most of the credit unions' delegates rating speakers as either "good" or "very good". 75% of the overnight delegates rated the accommodation at Village Hotel as "very good", with none rating it as less than "good". 60% of delegates rated the Friday evening meal as "very good", 35% as "good" and 5% as "average". The first ever live band performance, from local band Orion, was rated either "very good" or "good" by 90% of delegates, but around 10% thought that they were too loud and made conversation too difficult.

Newport Credit Union moves to Indoor Market

Newport Credit Union has celebrated moving to its new offices in Newport's indoor market with an official launch ceremony. Dame Rosemary Butler, cutting the ribbon, said, "I take great pleasure in launching this huge improvement for our Credit Union. Since 1999, they have been offering access to secure savings and affordable loans to an increasing number of residents, and these improved offices enable them to dramatically increase the numbers using these services"

The Credit Union has been able to move to their new premises courtesy of a £53,000 grant from Welsh Government. Also attending the launch were the Rt.Rev. Bishop of Monmouth Richard Pain and numerous members of the Credit Union.

Chair of Newport Credit Union, Reg Smith, thanked all involved, especially the 50+ volunteers who donate their time and expertise so that those working or living in our city can access secure savings accounts and loans that are cheaper than any pay day provider or doorstep lender. Heralding a new era for the Credit Union he said, "Last year, compared to the high rates of interest charged by other loan providers, we saved the community of Newport well over £250,000 in interest payments – with these new offices, the sky's the limit!"



Mendip Community Credit Union Produces Volunteering Video with support from Unity Trust Bank



Mendip Community Credit Union which is based in Somerset and covers rural areas including Glastonbury and Shepton Mallet, has recently produced a YouTube video aimed at attracting new credit union volunteers and the results are proving to be very positive and useful as something that the credit union can show or send to potential volunteers. Mendip applied for a grant from Unity Trust Bank which was successful and covered the majority of the cost of the video production. View the video at www.youtube.com/watch?v=qcfZimOk_-Y

Barclays Announces Year 2 Support Programme Winners

At a meeting at the Head Offices of Barclays in Canary Wharf, on the 8th June 2016, 10 more credit unions were selected to be the beneficiaries of Year 2 of the Barclays Credit Union Programme.

As in the first year of the Programme the selected credit unions will benefit from a mixture of Capacity Building Training delivered by ACE and UKCU associates and from Financial Capability training delivered by Toynbee Hall.

The winning credit unions that will benefit from the second year of the Barclays Programme are:

- Blackburn, Seafields & District Credit Union (ACE)
- Grampian Credit Union (N/A)
- Holdfast Credit Union (ABCUL)
- Hull & East Yorkshire Credit Union (ABCUL)
- Kernow Credit Union (UKCU)
- Lincolnshire Credit Union (ABCUL)
- Pioneer Credit Union (UKCU)
- Tees Credit Union (UKCU)
- Salford Credit Union (ACE)
- Warrington Credit Union (ACE)

Next meeting with the Regulators 5th July 2016

The PRA has called for a meeting with the credit union trade associations in London on the 5th July 2016, when they will brief us on a consultation paper that they will be issuing in early July on changes to regulatory reporting. For a number of years the regulators have been seeking to put in place a system of electronic reporting and this consultation paper will

formally put forward proposals on this matter to the credit union sector. It will also propose changes to the current regulatory returns to make them consistent with the new prudential regulatory framework. This meeting will give the PRA the opportunity to brief the trade associations on the main points and you a chance to comment and ask questions. The FCA will attend for the second half of the afternoon to discuss any pertinent conduct matters.

ACE web-site members' area

Just a quick reminder that the ACE website has a Members' Area, accessible only to those with a login account.

This includes a forum, which is useful for a number of peer-to-peer mutual support purposes; after all, who knows more about the details of running a credit union than other credit union workers (whether volunteers or paid). Between you, you hold a vast body of knowledge and experience - and you can share this for the common good. You can use the forum to:

- to share information, resources and best practice with other ACE members;
- to ask or answer questions; or
- to seek or offer help in other ways.

Please check on a regular basis to see what's going on with your colleagues.

If you do not already have a login account, please use the contact form at www.acecus.org/contact selecting "web site" from the drop-down list and entering "login account request" or similar in the subject box. If you believe that any of your credit union colleagues would benefit from having a login account, please direct this to their attention.

Please note: Any volunteer or employee of an ACE credit union is eligible for a login account.

The web site is currently undergoing some development and restructuring, so please bear with us while this progresses.

We are also very much open to suggestions, new feature requests and offers of help.