

## **Recommendations from: -**

### **Changing Credit Unions – Paying Dividends in Community Finance – LGA 2001**

The following recommendations are offered to Regional Development Agencies, local authorities and other potential funders of credit unions.

#### For Regional Development Agencies

- ◆ A Regional Development Agency should include support for sustainable credit union development within its Regional Economic Strategy.
- ◆ Regional Development Agencies can play an important role in encouraging local authorities to follow best practice models of credit union development. A local authority can help to pull together the key players within a community to build partnerships that will develop an adequately capitalised, professional credit union able to provide affordable financial services to thousands of people.

#### For Local Authorities

Local authorities are ideally placed to lead the strategic development of credit unions within their area through

- ◆ undertaking research on the viability of proposed strategy
- ◆ engaging political will and support
- ◆ enlisting the support of key players and provide credibility to encourage other public and private sector employers to become involved
- ◆ utilising appropriate models of development
- ◆ developing a funding package to capitalise a credit union
- ◆ channelling funding directly to credit unions to increase accountability
- ◆ Credit union development should be viewed as a time-limited project with specific outputs. An invitation to tender, a feasibility study and a time limited contract for the project management will facilitate the cost-effective establishment of a credit union.
- ◆ A local authority considering supporting credit union development should aim to create a financially independent business. It should avoid creating a dependency. For a community credit union to be able to serve a community, it has to be strong enough to make its services available to everyone in its community, not just a couple of hundred people.
- ◆ A local authority that wants to help provide a credit union's services to a community would be well advised to consider an approach to credit union development that includes local employers in partnership with the community.

- ◆ Local authorities should review the success of their own employee credit union and their existing approach to credit union development. A “healthcheck” provided by a specialist consultant can help with this process.

#### For Funders

- ◆ Funding should be focused on the credit union’s core activities and development of its services. Funding should be sufficient to capitalise the credit union with its own employed staff, develop its premises and marketing strategy and improve its IT and operational systems. This approach will more effectively achieve results that are directly linked to the development of a credit union’s business and its ability to be self-sustaining.
- ◆ Funding should go directly to credit unions to increase accountability.
- ◆ Any funding or investment has to be appropriate to the business of a credit union, rather than achieving targets that are external to the core business.
- ◆ Funding should be monitored to ensure that key financial ratios relevant to the financial health and growth of the organisation are being achieved. A funder should require appropriate financial disciplines to be maintained within credit unions
- ◆ Existing resources provided by trade associations, business advisers and banks should be utilised.
- ◆ Ensure all of the “ingredients for success” are in place when assessing business plans and grant applications