

FALKIRK COUNCIL

Subject: FOLLOWING THE PUBLIC POUND UPDATE
Meeting: SCRUTINY COMMITTEE (EXTERNAL)
Date: 17TH SEPTEMBER 2015
Author: DIRECTOR OF CORPORATE & HOUSING SERVICES

1. INTRODUCTION

- 1.1 On 14th May 2015 a “Following the Public Pound: Advice Services” report was presented to the Scrutiny Committee including an appendix detailing the provision of support from Falkirk Council to Falkirk District Credit Union Limited (FDCU). Following consideration of that report Members requested **“that a report providing the organisation’s accounts is provided to Scrutiny Committee (External), highlighting what percentage of the organisation’s income is from the Council’s contribution.”** The purpose of this report is to provide Members with information on FDCU accounts and the value of support provided by Falkirk Council as requested.

2. FALKIRK DISTRICT CREDIT UNION LIMITED ACCOUNTS

- 2.1 FDCU submit annually audited accounts to Falkirk Council. Accounts for 2013 -2014 are available, (Appendix 1) however 2014-2015 accounts will not be available until January 2016. There are two aspects to the Credit Union accounts: income and expenditure relating to general running costs and assets; and liabilities relating to member’s savings and loans. FDCU must also complete quarterly returns to the PRA (Bank of England, Prudential Regulation Authority).
- 2.2 FDCU operate in line with FCA (Financial Conduct Authority) requirements, which state that all credit unions must have 3% reserves of their overall balance. According to their accountant, the organisation is currently within this requirement with 3.24% in reserves at present. As shown in Appendix 1, the reserve at the end of FDCU’s financial year (September 2014) was 3.08%.
- 2.3 The Treasurer has overall responsibility for accuracy of the accounts which are externally verified on a monthly basis by an independent accountant. The day to day banking is all reconciled on a daily basis. The treasurer presents monthly accounts which are verified by the Board at each board meeting.
- 2.4 FDCU have provided a three year forecast of income and expenditure projection, as follows:

PROFIT & LOSS ACCOUNT	2015-16	2016-17	2017-18
Total Income	£112,302	£ 124,174	£139,698
Total Expenditure	£102,921	£115,069	£122,270
Surplus/deficit for the year (cumulative)	£9,381	£18,485	£35,914

- 2.5 The information above shows a healthy projected year on year growth. This growth will be realised through better publicity of their loans and the new addition of their “Quick Loan” for new members.
- 2.6 There will also be a significant impact and increase to the finances of the FDCU due to changes within the FCA regulations. At the moment the FCA stipulated the reserves for bad debt provision. However due to a change in the regulations, the bad debt provision will cease, releasing another £24,000 currently held as reserve.
- 2.7 FDCU Board recently approved the investment of £400,000 with the Bank of Scotland and £300,000 with The Nationwide which will give them an annual return of £6,000 per year.

3. FALKIRK COUNCIL'S SUPPORT

- 3.1 The tables below highlight the support allocated to Falkirk District Credit Union Limited (FDCU) from Falkirk Council during the 3 year period 2012/13 to 2014/15. The tables provide detail of both financial and in-kind contributions

Annual support provided directly to the Credit Union 2014-2015

Direct Support			
Support Provided	Volume	Purpose	Cost
Admin Officer (Corporate & Housing Services, post based within Credit Union)	18.5 hours per week	Admin support to Credit Union	£9,794
Total			£9,794
Indirect in-kind support			
Support Provided	Volume	Purpose	Cost
Financial Inclusion Development Officer (Corporate & Housing Services)	15 hours per week	Support growth and development of Credit Union	£12,462
Project Manager Banknock, Denny and Bonnybridge area (Employed by Denny Community Flat, funded by CLD)	16 hours per week	To support the credit union through the following operation: Vice Chair, Collection points, Loan Committee Board Meetings, Staff Supervision, Volunteer recruitment and training	£12,700
Accommodation for collection points	21 collection points 42 hours, 48 weeks	To deliver credit union services within local communities	£24,998
Monitoring Officer	As and when identified support required	Monitoring progress towards Falkirk Council targets	
Graphic Designer	As and when identified support required	Develop promotional material to support growth of credit union	
Total			£50,160
Total Cost 14/15			£59,954

Annual Support provided directly to the Credit Union 2013-2014

Direct Support			
Support Provided	Volume	Purpose	Cost
Admin Officer	18.5 hours per week	Admin support to Credit Union	£9,794
IT System (FFF Grant)			£45,000
Stationary (FFF Grant)			£2,121
Total			£56,915
Indirect in-kind support			
Support Provided	Volume	Purpose	Cost
Financial Inclusion Development Officer (Corporate & Housing Services)	15 hours per week 3.5 months	Support growth and development of Credit Union	£3,634.
Project Manager Banknock, Denny and Bonnybridge area (Employed by Denny Community Flat, funded by CLD)	18 hours per week	To support the credit union through the following operation: Vice Chair, Collection points, Loan Committee Board Meetings, Staff Supervision, Volunteer recruitment and training	£12,700
Accommodation for collection points	13 collection points 21 hours, 48 weeks	To deliver credit union services within local communities	£12,499
Graphic Designer	As and when identified support required	Develop promotional material to support growth of credit union	
Total			£28,833
Total Cost 13/14			<u>£85,748</u>

Annual Support provided directly to the Credit Union 2012-2013

Direct Support			
Support Provided	Volume	Purpose	Cost
Admin Officer	18.5 hours per week	Admin support to Credit Union	£9,794
Total			£9,794
Indirect in-kind support			
Support Provided	Volume	Purpose	Cost
Community Learning and Development Officer (Community Learning & Development)	37 hours per week	Support growth and development of Credit Union	£42,798
Project Manager Banknock, Denny and Bonnybridge area (Employed by Denny Community Flat, funded by CLD)	18 hours per week	To support the credit union through the following operation: Vice Chair, Collection points, Loan Committee Board Meetings, Staff Supervision, Volunteer recruitment and training	£12,700
Accommodation for collection points	13 collection points 21 hours, 48 weeks	To deliver credit union services within local communities	£12,499
Graphic Designer	As and when identified support required	Develop promotional material to support growth of credit union	
Total			£67,997
Total Cost 12/13			<u>£77,791</u>

3.2 The tables above show a decrease in the total support allocated to the Credit Union over the past 3 years, from £77,791 in 2012/13 to £59,954 in 2014/15. The range of support within the package has fluctuated over the 3 year period:

- The financial allocation for admin support has remained static, whilst there was a one-off additional financial contribution of £47,121 which was allocated in 2013-14 from the Fairer Falkirk Fund. This contributed to a new IT system and stationary.
- The number of hours spent by the Development Officer supporting the credit union has decreased with the officer increasingly focusing on other financial inclusion projects such as Community Finance Initiative.
- The amount of in-kind support through lets within the Community Centres/halls and schools have increased by 100% due to an increase in collection points within FDCU.

4. CONCLUSION

4.1 The following table shows Falkirk Council's support expressed as a percentage of organisation's income.

Financial year	FDCU total income	Direct support	Direct support as a % of total income	In-kind support	In-kind support as a % of total income	Total support provided	Overall support as a % of total income
2014/15	£96,271	£9,794	10.1%	£50,160	52.1%	£59,954	62.2%
2013/14	£55,563	£56,915	102.4%	£28,833	51.8%	£85,748	154.3%
2012/13	£55,014	£9,794	17.8%	£67,997	123.6%	£77,791	141.4%
		£76,503		£146,990		£223,493	

Note: the above table shows only the income generated through loans, memberships, annual fee, investments etc. The share balance is not included.

4.2 With significant support from Falkirk Council, the Credit Union in the past year has achieved the following:

- Completed transfer of engagements from Grangemouth Credit Union Limited
- Installed new IT account system which allows on-line joining, jam-jar accounts and internet access to accounts
- Employed new member of staff as an Admin Assistant
- Implemented volunteer and training officer role within existing compliment of staff.
- Completed review of policies and procedures, implementing new policies and procedures required
- Developed and agreed a three year business plan
- Developed an action plan detailing key task to achieve aims of the business plan
- Secured external funding to enable feasibility study on High Street premises
- Consulted with members and non-members about possible High Street premises
- Developed a PR and Marketing Plan

4.3 With the exception of a significant grant to implement a new system, the value of development support for FDCU has decreased over the past three years.

4.4 During the financial year 2014-15, membership increased by 327 adult members and 291 junior savers bringing total membership at March 2015 to 2,045 adults and 708 juniors. Savings had increased by 42% and loans by 38%. Five new collection points were opened. 21 new volunteers were recruited and a substantial amount of training was delivered for all volunteers. A significant number of promotional events and joint working initiatives have taken place over the last year to help secure these increases.

4.5 The Credit Union is now in a good position to build on the considerable support that has been provided and to continue to grow and provide vital financial services to our communities. The Development Officer resource funded by the Fairer Falkirk Fund is now supporting Credit Unions across the area within the remit of supporting Financial Inclusion across the Falkirk Council area.

5. RECOMMENDATIONS

5.1 As set out within the report to the Scrutiny Committee on 13 June 2013, 'Following the Public Pound: Scrutiny Committee Role and Reporting Schedule', Members are invited to consider this report and select from the following options:

- a) Approve report and acknowledge progress by the external organisation in meeting Council priorities;
- b) Request further information on specific aspects of the service provided; or
- c) Request action with follow-up for subsequent Scrutiny Committee consideration.

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DIRECTOR OF CORPORATE & HOUSING SERVICES

Date: 17th September 2015
Ref: - ABC0915SB – Credit Union
Contact: Sally Buchanan

LIST OF BACKGROUND PAPERS

1 Nil

FALKIRK DISTRICT CREDIT UNION LTD

Firm Reference No 213807

Registered No 110CUS

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 SEPTEMBER 2014

Business Focus & Systems Ltd

Chartered Accountants, Business Advisors & Statutory Auditors



**4 Chevin Mill
Leeds Road
Otley
West Yorkshire
LS21 1BT**



T : 01943 855700 F : 01943 855701 E : mail@bfandsl.co.uk W : bfandsl.co.uk

**STATEMENT OF THE DIRECTOR'S RESPONSIBILITIES TO THE MEMBERS OF
FALKIRK DISTRICT CREDIT UNION LTD**

RESPECTIVE RESPONSIBILITIES OF DIRECTORS

The directors are responsible for preparing financial statements for each financial year in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice. In preparing those financial statements the directors are required to:-

- show a true and fair view of the state of affairs of the Credit Union and the surplus/deficit for that period
- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- prepare financial statements on a going concern basis unless this is inappropriate
- to presume that the Credit Union will continue in business.

The directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Credit Union, and to enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014 and the Credit Union Act 1979. They are also responsible for safeguarding the assets of the Credit Union, and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

ON BEHALF OF THE BOARD:

Name of Director 1:

Signature



Date:

3/2/2015

Name of Director 2:

Signature

Date:

3/1/

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF FALKIRK DISTRICT CREDIT UNION LTD

We have audited the financial statements, being the primary statements of Income and Expenditure and Balance Sheet, together with the Notes thereto which are set out on pages 2 to 5. These statements have been prepared in accordance with the accounting policies set out therein. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The report is made solely for the Credit Union's members as a body, and our audit work has been undertaken so that we might state to the Credit Union's members those matters that we are required to declare in an auditor's report, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Credit Union's members as a body for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 1a, the directors are responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standard for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether the accounting policies are appropriate to the Credit Union's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

We have undertaken the audit in accordance with the requirements of APB Ethical Standards including APB Ethical Standard - Provision Available for Small Entities in the circumstances set out in Note 6 to the Financial Statements.

OPINION ON THE FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the Credit Union's affairs as at 30 September 2014 and of its income and expenditure of the year then ended; and,
- have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and with the Co-operative and Community Benefit Societies Act 2014 and the Credit Union Act 1979.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 require us to report to you if, in our opinion:

- proper books of account have not been kept by the Credit Union in accordance with the requirements of the legislation,
- a satisfactory system of control over transactions has not been maintained by the Credit Union in accordance with the requirements of the legislation,
- the revenue account or the other accounts (if any) to which our report relates, and the balance sheet are not in agreement in the books of account of the credit union.
- we have not obtained all the information and explanations necessary for the purposes of our audit.

Business Focus & Systems Ltd
Chartered Accountants and Statutory Auditors
4 Chevin Mill
Leeds Road
Otley
West Yorkshire
LS21 1BT

17/2/201

FALKIRK DISTRICT CREDIT UNION LTD

Income and Expenditure Account for the year ended 30 September 2014

INCOME	Notes	2014	2013
Entrance fees		762	722
Income from loans to members.	2	63,802	46,216
Interest received on investments		1,769	2,337
Bad Debts recovered		945	-
Grants released: Fairer Scotland Fund		888	182
Falkirk Council		700	-
Capital		15,459	693
Donations & Other Income		1,330	1,043
Surplus from take on of Grangemouth Credit Union Ltd		4,802	-
Annual membership fees		5,814	4,370
TOTAL INCOME FOR THE YEAR		96,271	55,563
EXPENDITURE			
Administration Expenses		39,735	26,618
Auditors Remuneration		2,520	1,368
Fidelity Bond Insurance		1,311	1,440
Bad Debt Provisions: Charge for the year		9,937	(13,457)
Taken on from Grangemouth Credit Union		(538)	-
Bad Debts Written Off		30	17,262
Bank Charges		67	66
Interest on loans repayable		-	61
Property & Other Insurance		631	628
Savings & Loan Insurance		8,718	7,063
FCA/PRA Fees		843	752
Trade Association Dues		465	500
Depreciation of assets	4	17,209	2,443
TOTAL EXPENDITURE FOR THE YEAR		80,928	44,744
SURPLUS FOR YEAR BEFORE TAX		15,343	10,819
TAXATION		354	467
SURPLUS FOR YEAR AFTER TAX		14,989	10,352
Appropriations:-			
To General Reserve compulsory transfer		2,998	2,070
To General Reserve voluntary transfer		2,800	5,802
From Development and Training reserve to cover training expenses		(315)	(894)
To Revenue Reserve	8	9,506	-
To Dividends Proposed in 2013	8	-	3,409
To Previous years Dividends overstated		-	(35)
TOTAL APPROPRIATIONS		14,989	10,352

Note :There are no recognised gains or losses other than those included on the income and expenditure account

All figures included on the income and expenditure account are from continuing activities.

FALKIRK DISTRICT CREDIT UNION LTD

Balance Sheet as at 30 September 2014

	Notes	2014	2013
FIXED ASSETS	4	54,657	27,566
MEMBERS LOAN ACCOUNTS	2		
Current balances	622,907	395,153	
Less provision for unperforming loans	(30,727)	592,180	(20,790)
			374,363
SUNDRY DEBTORS			
Other debtors and prepayments	1,819	2,081	
		1,819	2,081
INVESTMENTS		200,000	125,000
IMMEDIATE LIQUIDITY			
Cash at bank on current account.	500,720	344,350	
Cash in hand.	158	34	
	500,878	500,878	344,384
TOTAL ASSETS		1,349,534	873,394
LIABILITIES	2,3		
Ordinary members shares repayable on demand	1,223,994	805,561	
Junior Members Shares	43,491	26,562	
Dividends Proposed	8	1,267,485	3,409
			835,532
OTHER PAYABLES			
Creditors and accruals	3,034	1,441	
Grants carried forward:	Capital 37,157	8,316	
Fairer Scotland Fund	-	888	
Bank of Scotland Loan	-	235	
Corporation tax	354	40,545	467
			11,347
OTHER CAPITAL			
Revaluation reserve	376	376	
		376	376
RETAINED EARNINGS			
General reserve	31,576	25,778	
Development and Training Reserve	46	361	
Revenue Reserve	8	41,128	-
			26,139
TOTAL LIABILITIES		1,349,534	873,394

We hereby approve and adopt the attached accounts for circularisation to our members.

Committee Member

Committee Member

Secretary

Date

29/01/2015

FALKIRK DISTRICT CREDIT UNION LTD

NOTES ON THE ACCOUNTS

1 ACCOUNTING POLICIES

- a. The Credit Union is registered under the Industrial and Provident Societies Act 1965. The financial statements have been prepared under the historic cost accounting rules in accordance with the Co-operative and Community Benefit Societies Act 2014 and the Credit Union Act 1979. Applicable accounting standards have been followed.
- b. Fixed Assets are stated at cost. Depreciation of fixed assets is charged by equal instalments commencing in the year of acquisition at rates estimated to write off their cost less any residual value over their expected useful lives as follows:
- | | |
|-----------------------------|----------|
| Office Furniture & Fittings | 5 Years |
| Computers | 3 years |
| Property | 20 years |
- c. Interest is accounted for on the basis of amounts receivable or payable in the year covering these accounts.
- d. Provision for Doubtful Debts is stated after specifically reviewing all loans in arrears. The criteria used is whether the loan will be repaid within the medium term and whether there is a regular pattern of repayments.
- e. Juvenile transactions are included within the accounts unless specifically shown otherwise.

2 SUMMARY OF MEMBERS SHARE (including Juniors) AND LOAN ACCOUNTS

	SHARES		LOANS	
	2014	2013	2014	2013
Balances brought forward from last year	832,123	611,590	395,153	360,358
Grangemouth Credit Union balances taken on	101,943	-	21,031	-
Shares saved and loans repaid.	1,002,747	738,557	(635,528)	(499,204)
Dividends paid	3,406	2,573		
Shares withdrawn	(672,734)	(520,597)		
Loans granted			778,479	505,045
Interest charged			63,802	46,216
Loans Written off			(30)	(17,262)
Balances carried forward to next year.	<u>1,267,485</u>	<u>832,123</u>	<u>622,907</u>	<u>395,153</u>

3 RE-CLASSIFICATION OF SHARES

Shares are now shown as liabilities as they are allowed to be withdrawn at any time.

4 TANGIBLE FIXED ASSETS

	Property	Computers/ Software	Office Equip/ P'ty Imprvmnts	Total
COST				
Cost at 30th September 2013	35,000	12,141	13,895	61,036
Additions during year.	-	44,300	-	44,300
Disposals during year.	-	(12,141)	(30)	-
Cost at 30th September 2014	<u>35,000</u>	<u>44,300</u>	<u>13,865</u>	<u>93,165</u>
DEPRECIATION				
Depreciation at 30th September 2013	15,750	12,141	5,579	33,470
Charged in these accounts	1,750	14,766	693	17,209
Depreciation on disposal	-	(12,141)	(30)	(12,171)
Depreciation at 30th September 2014	<u>17,500</u>	<u>14,766</u>	<u>6,242</u>	<u>38,508</u>
VALUE ON 30TH SEPTEMBER 2014	<u>17,500</u>	<u>29,534</u>	<u>7,623</u>	<u>54,657</u>
VALUE ON 30TH SEPTEMBER 2013	<u>19,250</u>	<u>-</u>	<u>8,316</u>	<u>27,566</u>

5 NUMBER OF MEMBERS (including Juniors)

	2014	2013
Number at beginning of year	1,885	1,357
Joined during year	977	557
Lapsed during year	(467)	(29)
Number at end of year.	<u>2,395</u>	<u>1,885</u>

6 NON AUDIT SERVICES

In common with many other Credit Unions of our size and nature we use our auditors to prepare and submit returns to the tax authorities and assist us with the preparation of the financial statements.

FALKIRK DISTRICT CREDIT UNION LTD

NOTES ON THE ACCOUNTS (continued)

7 RELATED PARTY TRANSACTIONS

During the year, 19 members of the board, staff and 5 of their close relatives had or were issued with loans with the Credit Union. These loans were approved on the same basis as loans to other members of the credit union and none of the directors and staff had had any preferential terms on their loans.

8 REVENUE RESERVE

A Revenue Reserve will now be used to ensure that future dividend proposals are met and distributed properly. This is summarised as follows:

	2014
Balance transferred from dividend reserve last year	3,409
Less: Dividends paid during the year	(3,406)
Dividends overpaid released to Revenue account	(3)
To dividends proposed: 0.75 % (2013 0.5 %)	<u>9,506</u>
Balance transferred from revenue accounts to be carried forward to next year.	<u>9,506</u>

9 GOING CONCERN

The credit union must maintain a minimum Capital-To-Total assets ratio of 3%, in accordance with PRA Guidelines outlined under CREDS 5.3.1 (T.P. 1.1). The relevant ratios are:-

2014	2013
3.08%	3.04%