



## Lloyds Banking Group Credit Union Development Fund Guidance notes 2019

These notes should be read alongside the information about the Fund on The Credit Union Foundation's website, <http://www.creditunionfoundation.org.uk/projects/developmentfund> particularly:

- The Awards
- Eligibility Details
- Assessment Criteria

### About the fund

The Lloyds Banking Group Credit Union Development Fund forms an element of the Group's 'Helping Britain Prosper Plan,' which was launched in March 2014, and is part of its commitment to improve financial inclusion levels across the UK. It was set up as a four year fund with £1 million available each year. In 2018 an additional £1,000,000 was made available and now again in 2019 a further £1,000,000 is being awarded to credit unions through this Fund. This brings Lloyds Banking Group's total investment in credit unions through the Development Fund to £6 million over 6 years.

Grants will be made to existing credit unions which can show good performance and strong plans for their future development.

Funding is available to credit unions registered and authorised in the United Kingdom or Isle of Man that:

- Are compliant with regulatory requirements for credit unions;
- Can provide all the required financial documentation including annual returns for 2017 and 2018 and a quarterly return and a trial balance for March 2019, and;
- Can confirm that their strategic plans and this application have been approved by their President or Chair on behalf of the Board of Directors and provide contact details for the Chief Executive or Manager and Chair.

In addition funding is available to charities registered in the Channel Islands provided that:

- The organisation is providing access to financial services and is a member of a depositor protection scheme.

Only applications that are submitted with all of the required supporting documentation by the deadline of 30<sup>th</sup> June 2019 will be considered.

Any credit unions in receipt of previous grant funding from the Development Fund must have submitted all monitoring information for these grants except where the grant was part of the 2018 funding round and so is not yet due.



**The Grants**

	<b>Large Grants</b>	<b>Seed Grants</b>
<b>Value:</b>	Up to £100,000	Up to £20,000
<b>Can be used for:</b>	Contributions to credit union’s reserves Funding to purchase fixed assets e.g. premises	Funding to improve sustainability e.g. costs related to merger, investments in digital improvements, marketing activities
<b>Cannot be used for:</b>	Investments in software systems Salaries ‘Releasing’ other reserves	Any activity that supports increased sustainability will be considered. There are no specific restrictions on particular items or activities for Seed Grants.
<b>Can apply if:</b>	Your credit union has never received funding from the Development Fund before or your credit union has previously received a Seed Grant or one Large Grant. <i>NB if your credit union has already received a Large Grant then additional application criteria apply and are detailed later in this document</i>	Your credit union has never received funding from the Development Fund before. <i>NB if your credit union has previously received a Seed Grant or a Large Grant then it may not apply for another Seed Grant</i>

**Application Summary Guidelines for Seed and Large Grants (please see page 3 for funding criteria to apply for a second Large Grant)**

**All applications must:**

- Show that activities are underway to drive sustainable year on year growth;
- Demonstrate plans to strengthen their financial ratios, particularly relating to solvency, lending, capital, delinquency, operating costs and net income;
- Submit sufficiently detailed risk assessment and mitigation intentions for the credit union’s development plans which include demonstrable understanding of local/community/economic issues which may affect projections.

Note you can use the application summary (D1) field as well as your business plan to meet these requirements.

**All applications must explicitly demonstrate (D2-D6) that:**



- You can evidence an understanding of the needs and demands of the community your credit union serves.
- You can evidence a commitment to and involvement in your local community.
- You can provide three measurable outcomes that will be used to demonstrate the impact of the funding. Note that credit unions that demonstrate they will be able to increase lending will be particularly well-received.
- You can provide a brief outline of your credit union's strategy to help low income or financially excluded people within the community it serves and provide some evidence of its effectiveness.
- You can provide evidence that your credit union is undertaking activities to broaden its active membership base across all sections of their community including across difference income groups.

**In order to receive the funding you will need to confirm you are able to:**

- Provide qualitative as well as quantitative evidence to the Foundation of the positive impact of the grant.
- Provide evidence of your ability to record and report on beneficiaries in terms of demographics (in a confidential manner).
- Support The Credit Union Foundation in evaluating the programme.

**Application Summary Guidelines for a second Large Grant only**

**In addition to the criteria already set out for all applications, credit unions applying for a second Large Grant must also:**

- Outline the positive impact of your previous Large Grant and how a further grant will improve your overall sustainability in the longer term.
- Outline key credit union events and activities in the next 12 months, such as plans to further increase your membership or widen your membership base, where applicable and how a second grant would support this.
- Outline how further funding will support your credit union's growth strategy.
- Demonstrate a positive improvement in their ratios following previous funding (or a clear explanation of mitigating circumstances) as well as an increase in lending.

**When completing the application you must also:**

- Submit a short and new robust member case study that can be used for communications and



on social media. Video submissions need to be approximately one minute long and can be filmed on a smart phone/tablet. The submission should outline the needs of your local community/common bond and how grant funding will help you to achieve them. Submission of video content is considered consent to use the content on all Foundation and LBG channels in the event that funding is received.

- Expand on the demonstration of commitment to, and involvement, in your local community demonstrating how this has developed since the last grant was awarded and show how a further grant can support further this.
- The three measurable outcomes provide must include increased lending and at least one of the following; providing credit union services where none currently exist – such as extending common bonds, building partnerships such as partnering with employers to offer payroll deduction, partnerships with local authority, housing associations or other innovative strategies.
- Applicants for a second grant need to provide clear targets for increasing membership across all membership tiers; e.g. 10% increase of tier 1, 20% increase in tier 2 and 30% increase in tier 3 and include plans as to how requested funding will help to achieve this.



## The application questions are as follows:

### Section A Organisation's details

- A1 Your credit union's registered name
- A2 FRN
- A3 Mutual Society Registration Number
- A4 Your credit union's national or regional location (drop-down list provided)
- A5 Year established
- A6 Number of active adult members
- A7 Does your credit union engage in any 'additional activities' as designated by the PRA that require your credit union to hold capital of 8% plus a 2% buffer?
- A8 Please state your credit union's trade association from the drop down list (if you are not a member of a trade association please select 'unaffiliated')
- A9 Please describe your credit union's common bond

### Section B Contact details

- B1 Main contact person's first name – this should be the person with whom you want us to correspond on a day to day basis on all matters relating to your application.
- B1a Main contact person's second name
- B2 Main contact person's telephone number
- B3 Main contact person's email address - Please use a credit union email address rather than a personal email address where possible.
- B4 Main contact person's role
- B5 Second contact person's first name
- B5a Second contact person's second name
- B6 Second contact person's role
- B7 Second contact person's telephone number
- B8 Second contact person's email address

### Section C Merger status

- C1 *If are planning to start the process of merging with another credit union within the next year, or have already started work on this; please select 'yes.'*

### Section D Growth and development

- D1 Please provide a summary of your application for funding using the [summary guidelines](#) (2,000 characters or fewer.) The character count includes spaces. 2,000 characters are around a side of A4 in 10 pt text. The form does have a character counting function, and you can also prepare your answer in Word (or similar) and copy and paste into the form. Please carefully read the Application Summary Guidelines and use this as a guide to complete your summary.
- D2 Evidence and understanding of needs and demands of the community your credit union operates in.



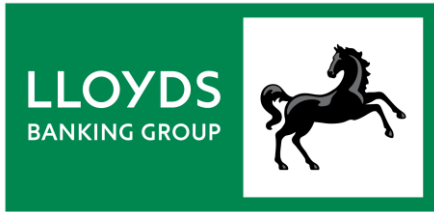
- D3 Please outline your credit union's commitment to and involvement with your local community.
- D4 Please provide three measurable outcomes to demonstrate the intended impact of the funding.
- D5 Please outline your credit union's strategy to help low income or financially excluded people within your community or common bond.
- D6 Demonstrate how your credit union is undertaking activities to broaden their active membership base across all sections of their community. Or provide an outline of why increasing membership is not part of your credit union's current strategy.
- D7 Are these priorities included in your business plan? If not, please outline why and submit a separate plan for delivery.

#### Section E Amount and purpose of grant

- E1 Please state the type of grant for which your credit union wishes to apply from the dropdown list.
- E2 Please state the total amount of funding you are requesting.
- E3 Please say briefly what you would use the money for, providing a complete breakdown of your costs where applicable. The total amount you are applying for should equal your total costs. (2,000 characters or fewer.) *Please see notes for D1.*
- E4 Please provide a sentence to outline your request for funding (20 words maximum)
- E5 Are these activities included in your business plan? If not you will be asked to submit a delivery plan in the next section and we may also come back to you for further information.

#### Section F Documents

- F1 Please attach your cumulative **trial balance** for month ending **31st March 2019**
- F2 Please attach your submitted Quarterly Return for the month ending **31st March 2019**
- F3 Please attach your submitted annual return for **2017**
- F4 Please attach your submitted annual return for **2018**
- F5 Please attach your current credit union business plan which must be up to date and cover the current financial year and the two subsequent years
- F6 Please attach your delivery plan if your request for funding is not included in your business plan
- F7 If you are applying for a second Large Grant only please upload your video. Video submissions need to be approximately one minute long and can be filmed on a smart phone/tablet. The submission should outline the needs of your local community/common bond and how grant funding will help you to achieve them. Submission of video content is considered consent to use the content on all Foundation and LBG channels in the event that funding is received.



## **Please note**

We would expect to see a business plan covering the current year plus at least two subsequent years. If the business plan was prepared more than one year ago, we would expect to see evidence that it has been reviewed and updated where necessary.

If your business plan mentions separate documents such as financial forecasts or marketing plans, please ensure these are attached to the document, or email them to [enquiries@creditunionfoundation.org.uk](mailto:enquiries@creditunionfoundation.org.uk) making sure it is clear which credit union they refer to. We will confirm receipt of any documentation, if we have not confirmed receipt within five working days please contact us.

If your business plan does not include the activities for which you are applying for funding, please attach a separate delivery plan showing costings and SMART targets.

Please see the table below for the types of evidence we will be looking for. We will be looking to see the impact of the grant on your credit union, e.g. increases in membership or your loan book that would be unlikely to have happened without the grant.

The attachments limit is 25MB which should be plenty for these documents, but please contact us if you have any problems.



### Supporting Information to Answer Application Questions (D1 – D6)

Question	Description or example of strong answer
<p><b>D1 Application Summary (limit of 2,000 characters)</b>  <b>Submit plans that show activities are underway to drive sustainable year on year growth, including viable plans for staffing and other resources to enable this growth.</b></p>	<p>The application summary should give the best possible description of what you are applying for and why and start with that as a strong opening statement e.g. ‘We are applying for £100,000 to strengthen our reserves and enable us to continue to grow.’ The Grants Committee should not be in any doubt as to what your request for funding is for.</p> <p>You should use the summary to outline how the funding will enable you to achieve what you have stated you will be able to do in your opening statement.</p> <p>It should give justification where necessary e.g. if you are applying for funding for a new building then briefly explain why the current building is not fit for purpose or if adding a new branch outline why a new branch is needed.</p> <p>Imagine the Grants Committee only read the application summary (don’t worry, they don’t!) – does it give all the information you would want in order to get your application the award?</p> <p>The application summary may include the application requirements in relation to:</p> <ul style="list-style-type: none"> <li>- Demonstrating a sustainable growth strategy;</li> <li>- Demonstrating plans to strengthen key ratios;</li> <li>- Detailed risk assessment.</li> </ul> <p>However, you may choose to use your business plan to do so and if you are doing that then be clear that this is what you are doing e.g. ‘our attached business plan demonstrates a realistic strategy for sustainable growth and strengthening of key financial ratios. It also details a risk assessment and mitigating actions to this strategy.’</p> <p>If you know your credit union has some key financial indicators that are currently poor e.g. delinquency then you may want to use the application summary to demonstrate you are aware of this but have realistic plans in place to</p>





<p><b>D2 Please outline evidence an understanding of the needs and demands of the community your credit union serves.</b></p>	<p>address it. Again, you may use your business plan to do this.</p> <p>You should show clearly, using data gathered from external sources but also internal information, how you have an understanding of who your members are and what they want and need from the credit union.</p> <p>E.g. “Our town has a growing economy, gross value added per head of population is £34k (UK average is £25k) and is diverse and 25% of the population is BME (UK average 7%). 160 languages are spoken by children attending schools in our town. We have identified our average borrower profile is single woman, aged 36 called Sarah. She has two children and an income of £16k per year. She has £400 in savings and borrows between £1500 and £600 4 times a year.”</p>
<p><b>D3 Please outline your credit union’s commitment to and involvement with your local community.</b></p>	<p>You should demonstrate here the ways in which your credit union is actively involved with the local community and ideally is not limited to engagement with local authorities or other agencies.</p>
<p><b>D4 Please provide three measurable outcomes to demonstrate the intended impact of the funding.</b></p>	<p>Ensure that you give a specific measure, that is realistic and a time period by which it will be achieved. Remember you will have to report on these outcomes. Examples are:</p> <ul style="list-style-type: none"> <li>- Increase membership by 1,000 within 18 months of grant award</li> <li>- Increase capital to assets ratio to 11%</li> <li>- Increase value of loan book by 6% per year for three years</li> <li>- Fully fund the operating costs of the new branch from additional income within 2 years of opening</li> <li>- Increase loans to assets ratio by 5% in year grant is awarded</li> <li>- Have 20% of membership using new digital channel within 1 year of implementing solution</li> </ul>
<p><b>D5 Please outline your credit union’s strategy to help low income or financially excluded people within the community your credit union serves.</b></p>	<p>Use this question to be as specific as you possibly can about how your credit union does this – it can include product design, service delivery, outreach activities and additional services that you provide such as money advice or financial education initiatives. You only have a short amount of space here so feel free to reference your business plan for further detail but don’t simply refer to the business plan.</p>



**D6 Demonstrate how your credit union is undertaking activities to broaden their active membership base across all sections of the community it serves. Alternatively, if you are not looking to do this then please explain why.**

Broadening the membership base could be about diversifying the income groups you serve or different age demographics. If your credit union serves multiple communities it could be about increasing membership from one or more of those communities. Please be as specific as you can about what those activities are and how you are going to achieve this. If you are not looking to broaden your membership base then please explain why, using as much evidence as you have available to support this.



## Frequently Asked Questions

These questions reflect the range of issues which were raised by applicants in previous years of the Fund.

### Who makes the funding decisions?

The Credit Union Foundation team carries out an initial eligibility assessment and if your application is not eligible, we will notify you that your application has not been shortlisted. Shortlisted applications are each scored against the funding criteria and a financial analysis is completed. The applications are then provided to an independent Grants Committee which is made up of representatives from Lloyds Banking Group, The Credit Union Foundation Board of Trustees and independent members. The Grants Committee is provided with the applications and supporting information by the Foundation team and makes the final decisions as to which applicants receive funding. All decisions are final and there is no appeals process.

### We want to set up a new credit union; can we apply to this grants fund?

The overall intention of this fund is to support credit unions that can show good performance to date and good levels of sustainability, but need support to help them achieve even more success in the future. It is not intended to support new credit unions and you will need at least two years annual returns to complete the application. Existing credit unions that have recently merged or who are considering a merger in the future are eligible to apply.

### We want to apply for a grant to fund activities that will take place before we know if we have received an award or not. Will our application be eligible?

The timetable for the applications and decision making process is as set out below. The grants cannot be used to retrospectively fund expenditure you have already made or work you have already carried out.

### What can I apply for?

**Large Grants (and second Large Grants)** are for contributions to credit union's reserves to help remove barriers to growth and innovation. Large Grants may also be used to support investment in fixed asset investments e.g. purchase of a new building.

**Seed Grants** are to help credit unions invest in resources and activities to improve sustainability and increased efficiency for lending, such as the costs related to a merger or investment in digital improvements. This can include salary costs but there must be a very clear link between the salary costs and how the funding will support the aims of the Development Fund, which are sustainability and



growth. It must also outline plans for the role after the funding period is over.

*NB: Applications for reserves cannot be to 'release' reserves to spend on other activities and these will be declined at shortlisting stage.*

## **Can two credit unions that are planning to merge both apply for grants?**

Yes, but as the fund is likely to be heavily oversubscribed, we would need very strong applications from both credit unions with clear explanations as to why both grants would be justified. We would expect to see evidence of the credit unions cooperating on their applications.

## **We applied last time, can we apply again?**

If your application was unsuccessful and you did not receive any funding, yes you can. If you received a Seed Grant and now want to apply for a Large Grant, yes you can. If you received a Large Grant, for this year only you can apply for a second Large Grant as long as you can meet the additional funding criteria outlined on pages 3 and 4 of this document. If you have received a Seed Grant then you cannot apply for a second Seed Grant. If you have received a Large Grant you cannot now apply for a Seed Grant.

## **Why do you need our annual and quarterly returns and trial balances?**

We will use these to look at the performance ratios and sustainability rating of your credit union using PEARLS ratios. This is one element of the application assessment and decision process.

## **Will my application be shortlisted?**

Your application will be shortlisted as long as it meets the funding criteria and you have completed the application fully and submitted all the required supporting documentation;

- Your completed application
- 2017 and 2018 annual returns
- March 2019 quarterly return
- March 2019 Trial balance
- Credit union's current business plan

Due to the volume of applications we receive we will not be able to contact applicants to request outstanding documentation. If you have not submitted all the required documentation by Sunday 30<sup>th</sup> June 2019 your application will be rejected. If you need to email your documents separately to your application please send them to [enquiries@creditunionfoundation.org.uk](mailto:enquiries@creditunionfoundation.org.uk) before the deadline, clearly marked with your credit union's name.



## **What happens if we bid for £100,000 but only get offered £50,000 or £75,000?**

If you are offered a lower amount, it will be up to your credit union to decide whether to accept it. You will be given the opportunity to discuss your grant agreement with us and the activities the funding will cover, and we may include conditions for the full grant to be released. For example, if the grant forms part of wider or matched funding, we may ask you to confirm that the rest of the funding is in place before releasing your grant.

## **If we get a grant, what will we have to do in return?**

You will be issued with a grant agreement which will be based on the activities your application said you would carry out. This will form the contract between your credit union and the Foundation. You will also need to:

- Carry out the activities in accordance with your grant agreement, informing the Credit Union Foundation of any problems and agreeing in advance any variations you want to make
- Provide financial forecasts showing the impact of the grant on your credit union, and update your business plan to incorporate the funded activities, if necessary
- Agree to carry out monitoring and evaluation, and put in place methods of data collection to ensure you can report on the results and impact of your grant at the end of your grant period. For example, you may need to carry out a member survey, or ask additional questions when people join.
- Provide your Annual and Quarterly Returns and trial balances during your grant period and Annual Returns for the year before, during and after the grant has been received so we can track the impact of the grant.
- Agree to take part in publicity such as press releases and newsletter articles
- Acknowledge Lloyds Banking Group as the funder, which may include using their logo on leaflets, website, etc.

## **Can I save my application form and come back to it later?**

Yes. Click on the 'Save Answers and Resume Later' link at the bottom of each page. Formstack then generates a link that you can copy and paste, or you can enter your email address to have it emailed to you. You will need this link to access your saved form, so keep it in a safe place. We **cannot** provide a link for you if you lose it as each link is generated specifically for you. You may wish to type and save your longer answers in Word (or similar) and copy and paste them in to the form using the questions above as a guideline.



## What happens next?

The closing date for applications is **Sunday 30<sup>th</sup> June 2019**.

- We will contact you if we require further information.
- If there is a change in your circumstances that will affect the grant application or your ability to meet the funding criteria, you must inform the Foundation team as soon as possible.
- The Grants Committee will meet after this to consider applications and decide if any further information is needed to enable them to make funding decisions.
- Grant Committee decisions will be announced in November 2019.

## Who do I contact if I have more questions?

The Credit Union Foundation

[enquiries@creditunionfoundation.org.uk](mailto:enquiries@creditunionfoundation.org.uk)

0161 832 3694

## How do I apply?

You can apply via The Credit Union Foundation [click here](#). Please contact us if you need any help with accessing the form or with any accessibility issues.

If you are unable to access the link please copy and paste the following link in to your browser.

<http://creditunionfoundation.formstack.com/forms/lbgcudf12019>

There will be one stage of applications this year and all information required to support your application must be submitted by the deadline. We expect the fund to be oversubscribed so any submissions that do not include all the required documentation will not be shortlisted.

Once you have submitted your application form, you will receive an acknowledgement email from the Credit Union Foundation within two working days. Please contact us if you do not receive your email as it may mean we have not received your application.

The Grants Committee is due to meet in September 2019. Credit unions will be informed of the outcome of their applications in due course after the meeting has taken place.