



A short guide for establishing an estimated funding required to set up a small and volunteer-run credit union in the UK

This document intends to briefly guide the interested group in their thinking process of creating a credit union by considering all the different aspects involved in estimating the total funding required to set up and run a new credit union. It can serve to conduct a feasibility study, prepare a project proposal, produce a fundraising strategy, and develop a business plan for a credit union. However, this document does not replace the group's own independent analysis, as every situation presents unique circumstances. It will be beneficial for the group to work closely with mentor credit unions, consultants, and ABCUL (now Altogether Money) for technical support. Note that KMB Credit union is a fictive rather than a registered union.

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INTRODUCTION

What is a credit union?

A credit union is a financial co-operative that is owned and controlled by its members who share the same common bond. In UK, It provides savings and loans to its members according to the credit unions act 1979.

What are the phases to consider when creating a credit union?

According to ABCUL, the establishment of a credit union in the UK involves two phases, namely development phase and operational phase. While the operational phase is concerned with the management of an existing and authorised credit union, the development phase is the process of setting up a new credit union prior to its authorisation by the PRA. This process is undertaken by a group of skilled members formed as a study group which is registered and recognised by ABCUL (now AllTogether Money). During the development phase, this group will consist of 21 members who will act as signatories when registering the credit union by the FCA. Prior to the date of registration, the group will need to conduct a pledge drive and target a certain number of pledges, preferably1000 pledges of membership. These 21 signatories will include a steering committee that will need to attend training courses with ABCUL. After the training courses, the steering committe will be certified, then approved by the FCA to run the credit union during the operational phase. Before developing the idea of creating a new credit union, two questions always preoccupy the mind of interested people; how to create a credit union and how much money is required to create a credit union. The focus of this report is concened with the second question, what is the total funding needed to create a new credit union. To answer this question one should first know how a credit union works.

How a credit union works?

A credit union can receive membership fees before members start saving with them. Members' savings form a pool of shares that is used to grant loans to other members in need. A portion of the shares is lent to borrowing members who then repay their loans with an interest that provides income to the credit union. Another portion of the shares not lent is invested outside the credit union, which also provides another income to the credit union. All incomes from loans and investments, together with other incomes make surplus for the credit union. A portion of that surplus is used to cover the running costs, and another portion is set aside as reserves to boost its capital. The remaining amount is returned to members as dividends or is reinvested in the credit union.

How much money is required to set up and run a credit union?

Understanding how a credit union works gives us an indication of where the money to cover the cost of running a credit union will come from.This understanding entails knowing the activities of a credit union. It is therefore the knowledge of these activities that will help to determine through the budget how much money is needed to be spent to get those activities done and how much money is needed to be generated to cover the costs of running the credit union. To enable this report to achieve its objective, a range of inputs has been selected and most of them have a cost attached to them. These costs have been estimated and fall into two categories: Start-up cost and operational cost.

While there is not a set amount of money required to fund a credit union, however, ABCUL estimates that it can cost in excess of £200k to establish a credible credit union. As for a small and volunteer-led credit union, it can cost between £50k and £100k, which includes both start-up and operational costs, with a £10k of initial capital set by the FCA for a version 1 credit union included in the start-up cost. The second focus of this report is concerned with the funding needed to cover the shortfalls.

What would be the benefits of having a credit union?

A credit union with 1000 members at year 1 and ending with 2500 members at year 7, will help to form a pool of funds of £1,989,999 in the community. With that portfolio of £1,989,999 (external funding, savings, and fees), the new credit union will contribute to the community in the following ways:

- Borrowers will benefit from a total of £4,844,000 lent by the credit union to satisfy their respective needs, thereby reducing financial insecurity in the community.
- For a total of £4,844,000 lent by a credit union at the maximum 42.6% APR; approximately £1,295,000 would be retained within the community to sustain the credit union.
- For a net profit of £952,772 generated by the credit union, if distributed at the dividend rate of 1.5%; approximately a total of £85,375 would be shared accordingly to each member as dividends.

Purpose

The aim of this short guide is to determine an estimated total funding required to set up and run a small and volunteer-run credit union in the UK.

Objectives

The main objective is to determine the estimated total funding associated with the costs of setting up and running a new credit union within seven years.

Other objectives are:

To determine total funding as an additional income to compensate for the shortfall between operating expenses and earned income under different scenarios.

To determine whether factors involved respectively in the start-up and operational phases can have impact on the total funding required.

Methods

This report is based on the information and data collected from publications of ABCUL (now AllTogether Money) , UK Government, experts, and other credit union-related materials, as well as personal experience with a previous failed credit union project in the congolese community. To meet the above objectives, first a scenario analysis has been conducted based on the data collected as assumptions to complete the ABCUL Excel financial model, then extracted and loaded to the author's own and self-made Excel financial model, analysed following three different cases,namely Best, Worst, and Base scenarios; each of them respectively driven by main credit union's inputs that determine the nature of the business such as number of members, level of shares, loans, dividends, reserves, and interest rates; then the outcome of the analysis presented as outputs. Secondly, there has been a sensitivity analysis on the best case scenario with the variables such as total number of members and their savings prior authorisation, fee income per member and member joining fees to assess how respectively their changes can impact the total funding required.



INPUTS & ASSUMPTIONS

Inputs: Data

Start-up Costs ¹	
Development phase worker/Consultant	£0
Marketing/Promotion	£0
FCA Initial capital requirement	£10,000
FCA Authorisation fee	£300
PRA Registration fee	£200
Data Protecion Notification fee	£52
Staff/Directors' trainings	£2,000
Accounting software	£8,000
Office furniture & equipment	£500
ICT & Computer Hadware	£1,800
Total	£22,852

Annual Operating Costs ²	
Salaries & Benefits	£35,000
Insurances	£2,652
Volunteer & Other expenses	£1,150
Marketing	£1,000
Computer Software Maintenance	£2,000
Office costs	£4,310
Legal & Professional	£3,000
FCA/FCS/FOS fees & Other fees & c	£983
Bad debt provision & written off	£1,387
Staff/Board training	£1,015
Total	£52,497

Inputs: Data

Staff Salaries & Benefits	
Manager	£25,000
Admin	£20,000
Loan Officer	£0

Secondary Income factors	
Fee income/member/year	£12
New member joining fee	£10
Earnings rate on investment	—

Insurances	
Loan Protection	£0.45
Life Savings Protection	£0.65

Factors affecting the cost of funds	
Inflation rate	2.8%
Interest rate on borrowed funds	—
Interest rate on subordinated loans	—

Assumptions: Data Trend

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Funding Base							
Total members at the start of the year	1000	1500	1800	2000	2200	2300	2500
Total members at the end of the year	1500	1800	2000	2200	2300	2500	2500
Retained shares/member/week	2.31	2.31	2.31	2.31	2.31	2.31	2.31
Loans to shares ratio	80%	80%	80%	60%	60%	60%	60%
Funds Borrowed	£0	£0	£0	£0	£0	£0	£0
% of fund borrowes lent out	0%	0%	0%	0%	0%	0%	0%
Internal factors affecting Income							
Monthly Loans interest rate	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Targeted annual dividend rate	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Minimum Year End reserve ratio	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Provisions							
% of Total Loans that are net liability	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
% of Net Loans > 3 mois & < 12 mois in arrears	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
% of Net Loans > 12 mois in arrears	0.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%

Typical costs to be covered by funding during the development phase of setting up a credit union . ⁽¹⁾
Typical costs to be covered during the operational phase of running an authorised credit union. ⁽²⁾



SCENARIO SCHEDULES

Core operational drivers

	Total funding needed	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Model Running: Best Case D	£28,279							

Members ¹	1	1,500	1,800	2,000	2,200	2,300	2,500	2,500
Best Case		1500	1800	2000	2200	2300	2500	2500
Worst Case		200	500	1000	2000	2200	2300	2500
Base Case		500	1500	2000	2200	2300	2500	2600

Shares ²	£2.31	£2.31	£2.31	£2.31	£2.31	£2.31	£2.31	£2.31
Best Case	£2.308	£2.310	£2.310	£2.310	£2.310	£2.310	£2.310	£2.310
Worst Case	£0.58	£0.58	£0.58	£0.58	£0.58	£0.58	£0.58	£0.58
Base Case	£1.16	£1.16	£1.16	£1.16	£1.16	£1.16	£1.16	£1.16

Loans ³	80.0%	80.0%	80.0%	60.0%	60.0%	60.0%	60.0%	60.0%
Best Case	80.0%	80.0%	80.0%	60.0%	60.0%	60.0%	60.0%	60.0%
Worst Case	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
Base Case	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%

Number of members at the end of the year. ⁽¹⁾
Retained Share Growth per member per week. ⁽²⁾
Loan to Share Ratio. ⁽³⁾

Core Financial Drivers

Dividends ⁴	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Best Case	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Worst Case	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Base Case	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%

Reserves ⁵	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Best Case	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Worst Case	0.1%	0.1%	0.5%	0.5%	0.5%	0.8%	0.8%	0.8%
Base Case	0.1%	0.1%	0.5%	0.5%	0.5%	0.8%	0.8%	0.8%

Interests ⁶	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Best Case	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Worst Case	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Base Case	2.0%	2.0%	2.0%	1.9%	1.9%	1.9%	1.9%	1.9%

Dividend Rate helps to know how much each member of the credit union will receive due to the performance of the operations. ⁽⁴⁾
Reserve Ratio helps to know how much to set aside for capital requirement by the PRA(Prudential Regulation Authority). ⁽⁵⁾
Interest Rate helps the credit union to be self-suffient by earning more income to cover the costs associated with its operations. ⁽⁶⁾



Analysis: Data

Total Funding	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
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Summary facts and figures

Total Members	1,500	1,800	2,000	2,200	2,300	2,500	2,500
Shares per Member/Month	£10	£10	£10	£10	£10	£10	£10
Total Shares	£185,024	£401,240	£641,480	£905,744	£1,182,020	£1,482,320	£1,782,620
Total Earned Income	£50,363	£109,022	£176,152	£195,500	£254,079	£319,749	£382,614
Funding required ¹	£28,279	£0	£0	£0	£0	£0	£0
Total Income	£78,643	£109,022	£176,152	£195,500	£254,079	£319,749	£382,614
Total Expenditure	£75,349	£62,558	£71,821	£74,745	£84,472	£92,888	£101,154
% met by earned income	64%	100%	100%	100%	100%	100%	100%

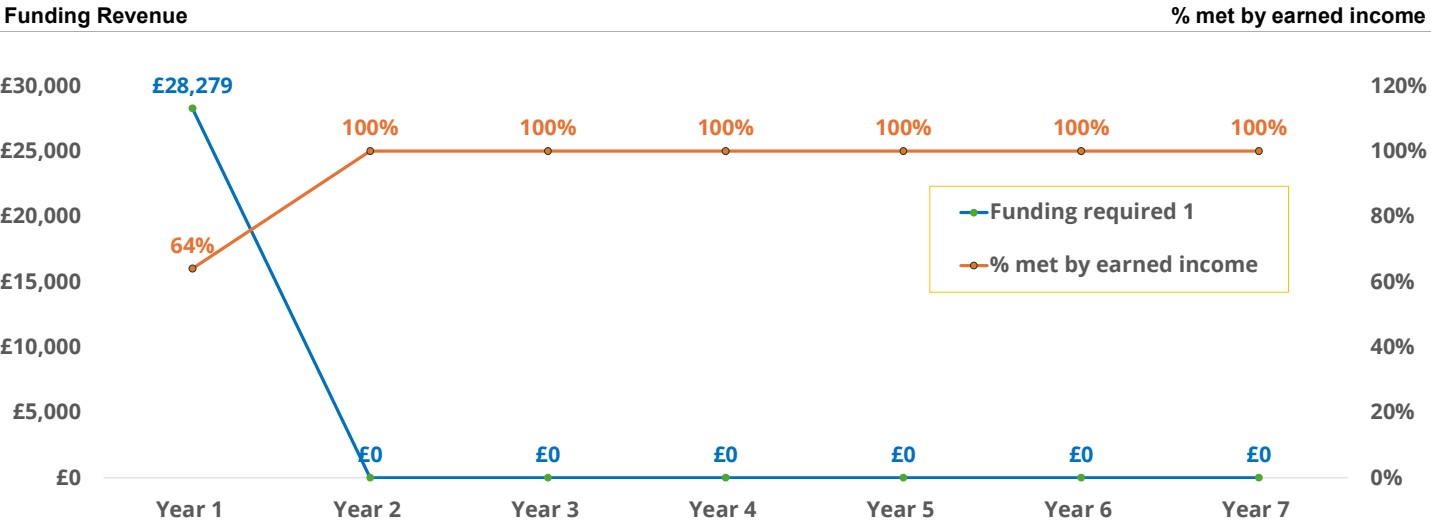
From this table, it is assumed that over the seven year-period, if a new credit union is committed to the above expenditures, it will decide to target the above number of members each year, then expects each member to save accordingly on monthly basis which will create a total shares as shown above. With that pool of savings, it will decide to use part of the total shares as loans, which will earn income. If the total earned income is not able to cover the total expenditure, the new credit union will need extra funding of £28,279 to boost its total income and run the new credit union over this period.

The actual funding needed may vary depending on the actual costs associated with setting up and running the credit union, and the unique circumstance in which the credit union operates. ⁽¹⁾

Analysis: Funding Needed

Start-up Period	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
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Total Funding Needed	£22,852	£5,427	£0	£0	£0	£0	£0	£0
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Graph 1.

This graph and funding planner show that a new credit union will need a funding of £22,852 to cover its start-up cost, and a revenue funding of £5,427 to cover its operational cost in year 1, to enable its internal revenue capacity to reach 100% and be self-sufficient from year 2 onward.



Analysis: Data

Total Funding	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
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Summary facts and figures

Total Members	500	1,500	2,000	2,200	2,300	2,500	2,600
Shares per Member/Month	£5	£5	£5	£5	£5	£5	£5
Total Shares	£35,160	£125,640	£246,280	£378,984	£517,720	£668,520	£825,352
Total Earned Income	£3,892	£39,578	£55,778	£70,043	£88,320	£111,004	£131,692
Funding required ¹	£96,609	£68,746	£16,345	£9,631	£1,888	£0	£0
Total Income	£72,638	£55,922	£65,409	£71,930	£88,320	£111,004	£131,692
Total Expenditure	£72,402	£55,028	£62,438	£68,138	£73,292	£78,912	£84,559
% met by earned income	5%	71%	85%	97%	100%	100%	100%

From this table, it is assumed that over the seven year-period, if a new credit union is committed to the above expenditures, it will decide to target the above number of members each year, then expects each member to save accordingly on monthly basis which will create a total shares as shown above. With that pool of savings, it will decide to use part of the total shares as loans, which will earn income. In this scenario, the new credit union will need external funding of £96,609 pread over four years to boost its total income in order to cover its expenditures and run the credit union financially self-sufficient from year 5 onward.

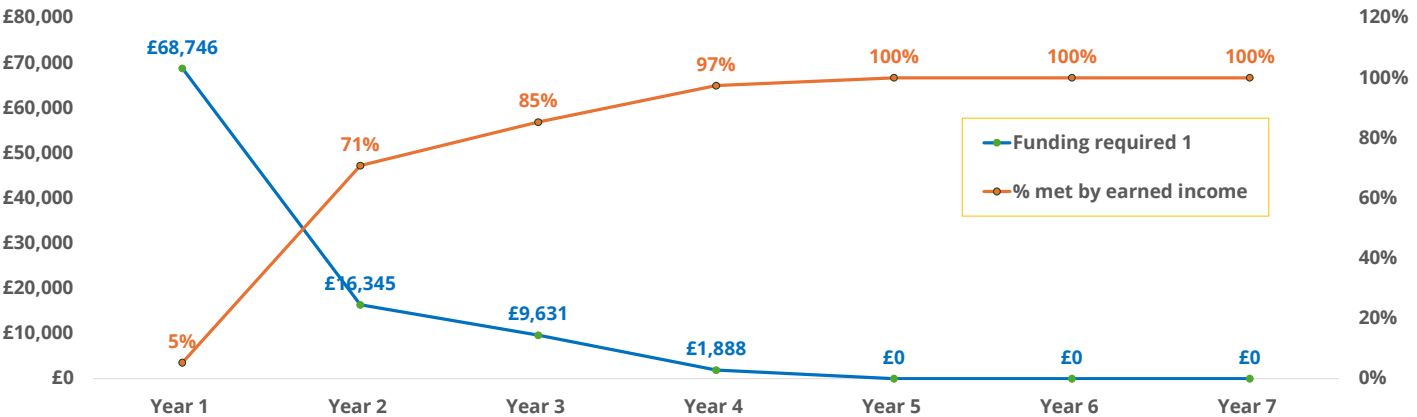
The actual funding needed may vary depending on the actual costs associated with setting up and running the credit union, and the unique circumstance in which the credit union operates. ⁽¹⁾

Analysis: Funding Needed

Start-up Period	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
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Total Funding Needed	£22,852	£45,894	£16,345	£9,631	£1,888	£0	£0	£0
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Funding Revenue% met by earned income



Graph 2.

These graph and funding planner show that a new credit union will need an initial funding of £22,852 to cover its start-up cost, and a total revenue funding of £73,757 to cover its operational costs from year 1 to year 4, which enable its internal revenue capacity to reach 100% in year 5 and be self-sufficient from year 5 onward.



Analysis: Data

Total Funding	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
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Summary facts and figures

Total Members	200	500	1,000	2,000	2,200	2,300	2,500
Shares per Member/Month	£3	£3	£3	£3	£3	£3	£3
Total Shares	£11,032	£26,112	£56,272	£116,592	£182,944	£252,312	£327,712
Total Earned Income	-£4,879	£10,671	£20,707	£41,779	£41,879	£48,187	£58,101
Funding required ¹	£256,170	£76,792	£41,368	£23,318	£28,747	£27,399	£21,704
Total Income	£71,913	£52,040	£57,548	£65,097	£70,626	£75,586	£79,805
Total Expenditure	£71,862	£51,932	£57,085	£64,362	£69,544	£73,382	£77,747
% met by earned income	-7%	21%	36%	64%	59%	64%	73%

From this table, it is assumed that over the seven year-period, if a new credit union is committed to the above expenditures, it will decide to target the above number of members each year, then expects each member to save accordingly on monthly basis which will create a total shares as shown above. With that pool of savings, it will decide to use part of the total shares as loans, which will earn income. If the total earned income is not able to cover the total expenditure, in order to boost its total income, the new credit union will need a total external funding of £256,170 spread over seven years and run the credit union financially dependent throughout the period.

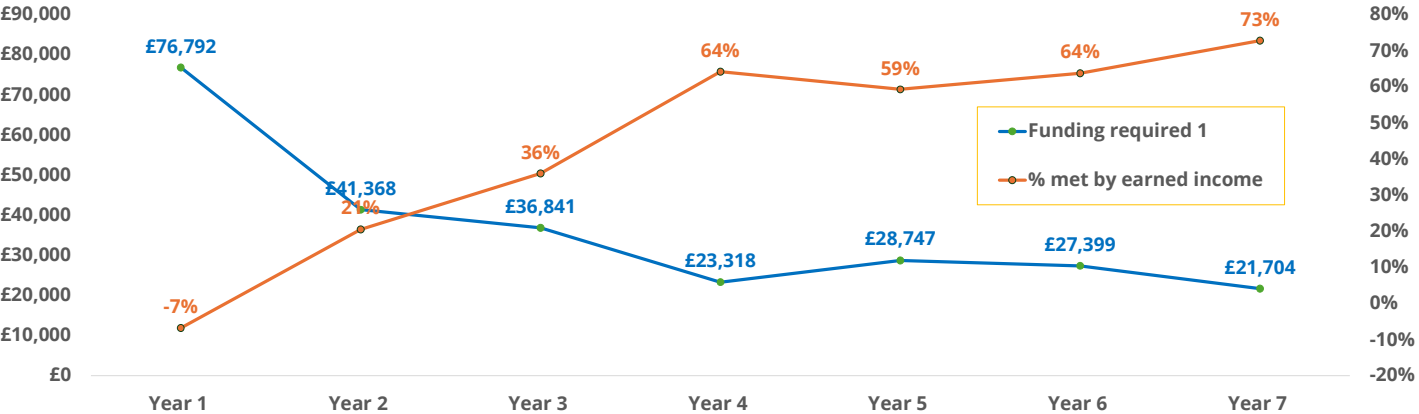
The actual funding needed may vary depending on the actual costs associated with setting up and running the credit union, and the unique circumstance in which the credit union operates. ⁽¹⁾

Analysis: Funding Needed

Start-up Period	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
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Total Funding Needed	£22,852	£53,940	£41,368	£36,841	£23,318	£28,747	£27,399	£21,704
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Funding Revenue % met by earned income



Graph 3.

This graph and funding planner show that a new credit union will need a funding of £22,852 to cover its start-up costs, and a total revenue funding of £233,318 to cover its operational costs over seven years relying on external funding due to its internal revenue capacity not reaching 100%.



SCENARIO SUMMARY

Scenario Analysis: Funding Data

All figures in GBP thousands unless stated

	Start-up Costs	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Total Funding
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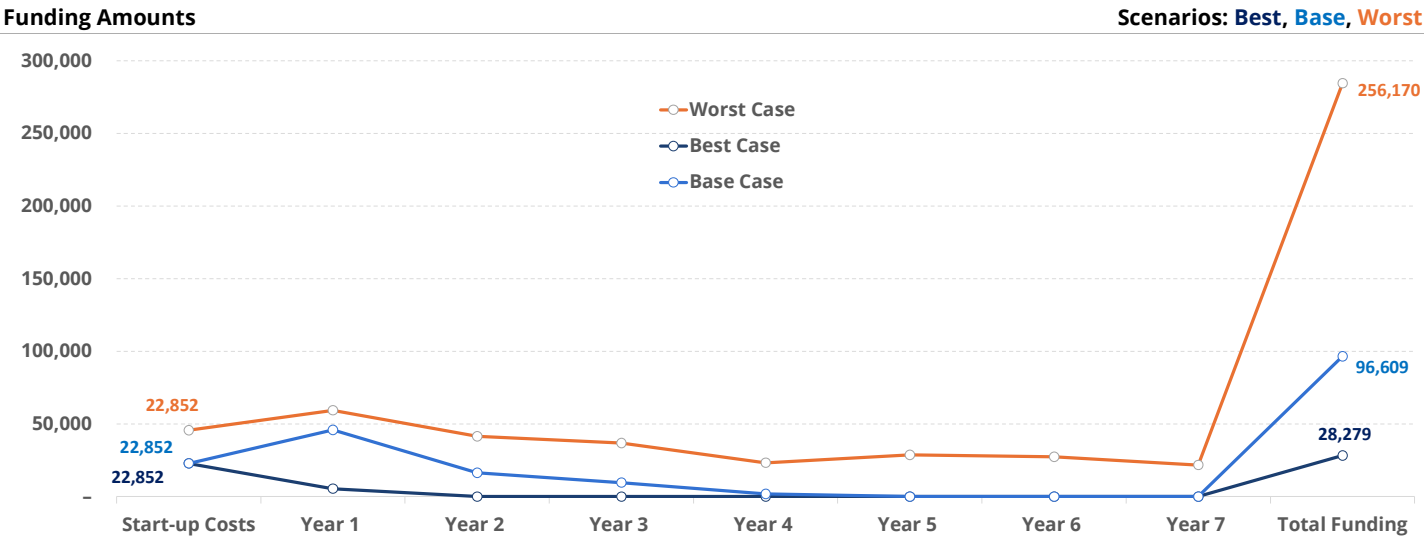
Funding required ¹

Best Case	22,852	5,427	–	–	–	–	–	–	28,279
Worst Case	22,852	53,940	41,368	36,841	23,318	28,747	27,399	21,704	256,170
Base Case	22,852	45,894	16,345	9,631	1,888	–	–	–	96,609

The actual funding needed may vary depending on the actual costs associated with setting up and running the credit union, and the unique circumstance in which the credit union operates. ⁽¹⁾

Scenario Analysis: Funding Graph

All figures in GBP thousands unless stated



Graph 4.

- With the best case scenario, a new credit union will need to secure start-up costs of £22,852 and the estimated operational costs of £5,427 between the proposed expenditure and generated income at the first year of operations. After such time, it is projected the credit union would be self-sufficient. Therefore a funding of £28,279 is needed to cover the costs
- With the worst case scenario, a new credit union will need to secure start-up costs of £22,852 and the estimated operational costs of £233,318 between the proposed expenditure and generated income over the seven years of operations (£53,940 in year 1, £41,368 in year 2, £36,841 in year 3 and £23,318 in year 4, £28,747 in year 5, £27,399 in year 6, and £21,704 in year 7). After such time, it is projected it will take long for the credit union to be self-sufficient. Therefore a funding of £256,170 is needed to cover the costs
- With the base scenario, a new credit union will need to secure start-up costs of £22,852 and the estimated operational costs of £73,757 between the proposed expenditure and generated income over the first four years of operations (£45,894 in year 1, £16,345 in year 2, £ 9,631 in year 3 and £ 1,888 in year 4). After such time, it is projected the credit union would be self-sufficient. Therefore a funding of £96,609 is needed to cover the costs

SENSITIVITY ANALYSIS

Sensitivity Analysis

This sensitivity analysis takes only account of the best case scenario, which determines £28,279 as the total funding required to set up and run a new credit union. This analysis is used here to study the effect of a change in total funding needed if factors such as number of members at the start of the year 1, level of savings prior to the authorisation, annual fee income per member, and member joining fees increase or decrease.

Factors affecting funding during start-up

Members at the start of the year 1	1,000
Savings prior to authorisation	£5,000
Total funding needed	£28,279

Factors affecting funding during operations

Fee income/member/year	£12
Member joining fee	£10
Total funding needed	£28,279

TOTAL FUNDING REQUIRED

Shares at year 1	Members at year 1					
	500	800	1000	1200	1500	Member joining fees
	£0	£24,035	£27,290	£29,460	£31,630	
£3,000	£23,327	£26,582	£28,752	£30,922	£34,177	
£5,000	£22,854	£26,109	£28,279	£30,449	£33,704	
£7,000	£22,382	£25,637	£27,807	£29,977	£33,232	
£10,000	£21,673	£24,928	£27,098	£29,268	£32,523	

Table 1

- Starting with no shares prior to the authorisation.
- The total funding needed decrease to £24,035.

TOTAL FUNDING REQUIRED

	Fee income/member/year				
	£0	£5	£12	£15	£20
	£0	£51,279	£43,779	£33,279	£28,779
£5	£48,779	£41,279	£30,779	£26,279	£18,779
£10	£46,279	£38,779	£28,279	£23,779	£16,279
£12	£45,279	£37,779	£27,279	£22,779	£15,279
£15	£43,779	£36,279	£25,779	£21,279	£13,779

Table 2

- With no fees requirement in the operations.
- The total funding needed increase to £51,279

Start-up phase

When starting up a credit union project, the first things to consider are wether to start with a target of 1000 pledges of members or less members and wether to start with shares or not. These are the two key considerations during the start-up phase that can affect the total funding required.

From the table 1, starting a new credit union project with a target of 1000 members with a total shares of £5000 prior to its authorisation, will require a total funding of £28,279 which is smaller than £29,460 of total funding required for the another new project starting with the same target of members with no shares prior to its authorisation.

From the table 1, a new credit union project starting with 500 members, with a total shares of £10,000 prior to its authorisation, will require a total funding of £21,673 which is smaller than £24,035 of total funding required for another new credit union project starting with the same number of members with no shares prior to its authorisation.

When the credit union starts with 1000 members, the total funding required to set up and run the credit union provide a less amount compare to a credit union starting with 500 members prior to it authorisation. The only factor that has more impacts on the total funding required is the number of members at the start of year 1. The more members the credit union start with, the less would be the total funding required, provided that the pledges are turned into real savings.

Operational phase

When running a new authorised credit union, rather than earned income to cover the costs of the operations, other sources of income such as members' joining fees and commission fees are the important considerations that can affect the total required funding.

From the table 2, running a new credit union by applying a fee of £12 when members are joining the credit union and a commission fee of £10 when members are taking loans, will require a total funding of £28,279 which is greater than £13,779 of total funding required for another credit union applying respectively higher fee of £20 and £15.

From the table 2, running a new credit union by applying a fee of £5 when members are joining the credit union and a commission fee of £5 when members are taking loans, will require a total funding of £41,279 which is greater than £28,279 of total funding required for a credit union applying respectively a fee of £12 and £10.

From the table 2, running a new credit union without applying fees when members are joining the credit union and no commission fee when members are taking loans, will require a total funding of £51,279 which is the greatest in this best case scenario analysis.



SENSITIVITY SUMMARY

Start-up phase

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
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Project starting with 1000 members

Funding	£29,460	£0.0	£0.0	£0.0	£0.0	£0.0	£0.0
---------	---------	------	------	------	------	------	------

With:	
The start-up costs:	£22,852
Number of members at the start:	1,000
Target number of members at the end of 3 year period:	2,000
Total funding required:	£29,460

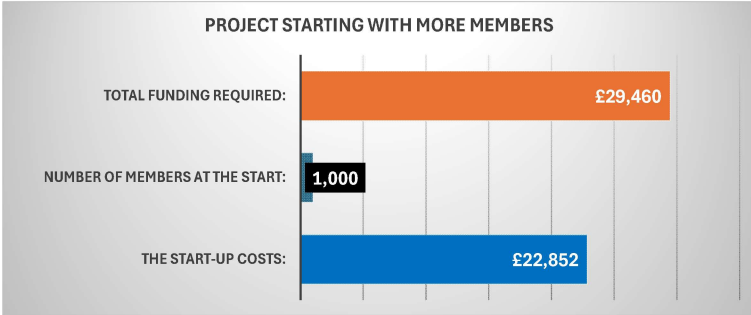


Chart 1.

Project starting with 500 members

Funding	£24,035	£0.0	£0.0	£0.0	£0.0	£0.0	£0.0
---------	---------	------	------	------	------	------	------

With:	
The start-up costs:	£22,852
Number of members at the start:	500
Target number of members at the end of 3 year period:	2,000
Total funding required:	£24,035

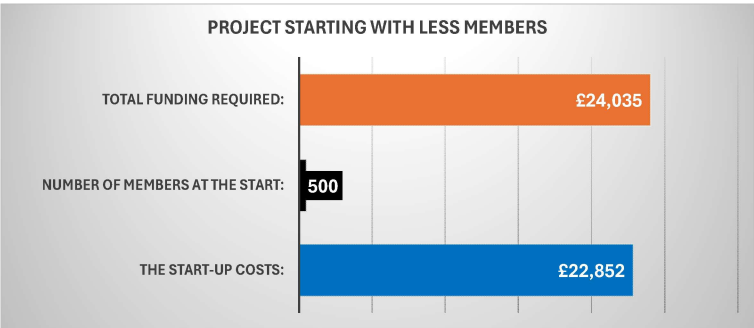


Chart 2.

Project starting with £10,000 in shares

Funding	£21,673	£0	£0	£0	£0	£0	£0
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With:	
The start-up costs:	£22,852
Number of members at the start:	500
Members' shares prior authorisation:	£10,000
Target number of members at the end of 3 year period:	2,000
Total funding required:	£21,673

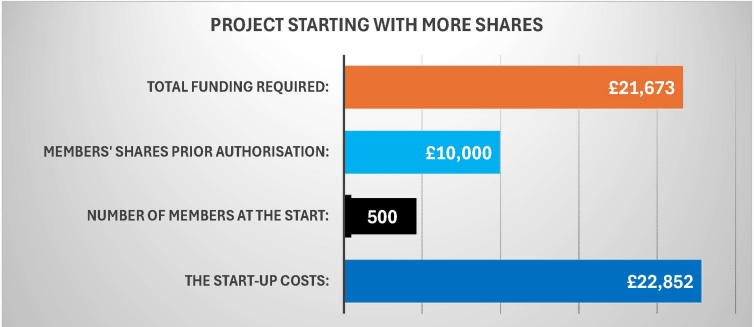


Chart 3.

Project starting with £5,000 in shares

Funding	£28,279	£0	£0	£0	£0	£0	£0
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With:	
The start-up costs:	£22,852
Number of members at the start:	1,000
Merl union.	£5,000
Target number of members at the end of 3 year period:	2,000
Total funding required:	£28,279

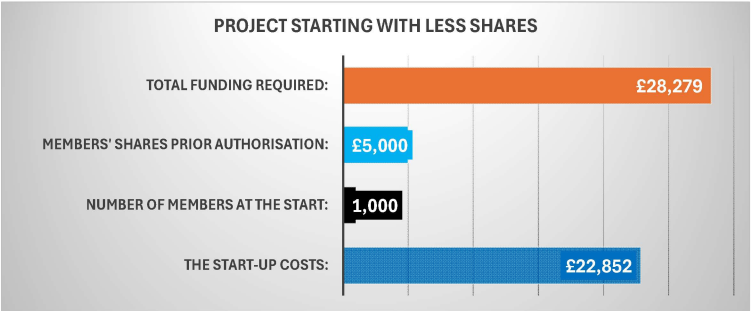


Chart 4.

SENSITIVITY SUMMARY

Operational phase

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
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Project applying £10 member joining fees	Funding	£28,279	£0	£0	£0	£0	£0	£0
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With:	
Total annual operating costs:	£562,985
Fee income per member per year:	£12
Member joining fees:	£10
Target number of members at the end of 7 year period:	2,500
Total funding required:	£28,279

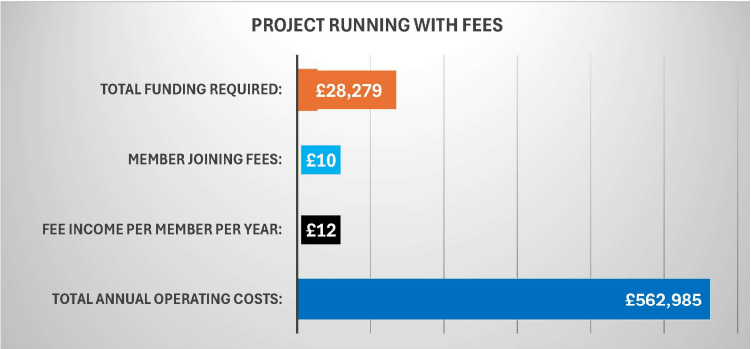


Chart 5.

Project applying £15 member joining fees	Funding	£13,779	£0.0	£0.0	£0.0	£0.0	£0.0	£0.0
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With:	
Total annual operating costs:	£562,985
Fee income per member per year:	£20
Member joining fees:	£15
Target number of members at the end of 7 year period:	2,500
Total funding required:	£13,779

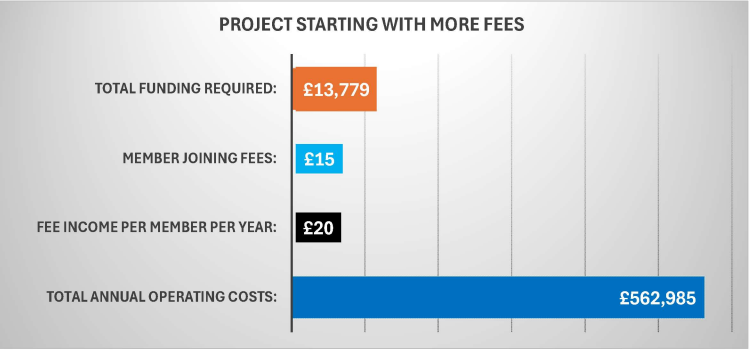


Chart 6.

Project applying £5 member joining fees	Funding	£41,279	£0.0	£0.0	£0.0	£0.0	£0.0	£0.0
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With:	
Total annual operating costs:	£562,985
Fee income per member per year:	£5
Member joining fees:	£5
Target number of members at the end of 7 year period:	2,500
Total funding required:	£41,279

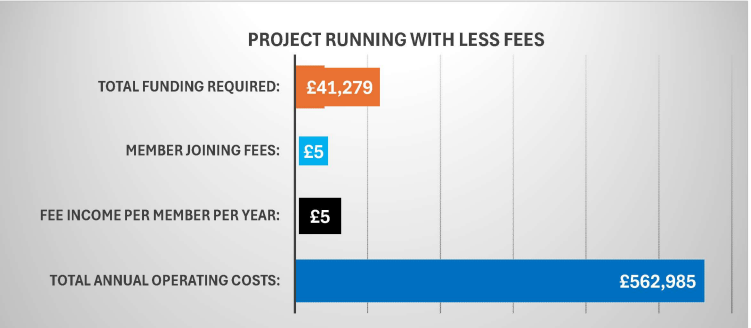


Chart 7.

Project applying no fees	Funding	£51,279	£0.0	£0.0	£0.0	£0.0	£0.0	£0.0
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With:	
Total annual operating costs:	£562,985
Fee income per member per year:	£0
Member joining fees:	£0
Target number of members at the end of 7 year period:	2,500
Total funding required:	£51,279

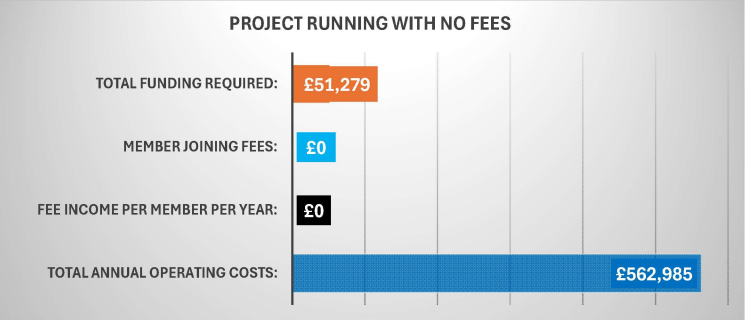


Chart 8.

Conclusion & Recommendations

Conclusion

As it can be seen, this report provides a short guide about establishing an estimated funding needed to create a small and volunteer-run credit union in the UK. All the scenarios and sensitivity analyses provide different total funding needed based on the estimated total costs. The actual total funding needed may vary depending on the actual costs associated with setting up and running the credit union, and the unique circumstance in which the credit union operates.

After both analyses, the results indicate that the total funding required to set up and run a new credit union is determined whenever the earned income is not able to cover the expenditures. From the scenario analysis, the best case has been the one that require £28,789 of total funding which is less than the other two cases. When sensitising that funding, in the development phase, the level of funding changes with the effect of starting with more or less members with or without shares prior to the credit union's authorisation. As for the operational phase, the total funding required is affected when both members' joining fees and fee income per member per year change. The more the fees, the less is the total funding needed.

To sum up, the question of establishing the total funding needed to set up and run a new credit union depends on the detailed knowledge of how a credit union operates, understanding of its activities, the estimated costs associated with those activities, and the estimated revenue needed to be generated to cover those costs. The more members with shares a credit union starts with, the less the level of funding, and the more fees a credit union can generate as income, the less the level of funding.

Recommendations

Since the success of any credit union depends on the character and fitness of management, the depth of the members' support, and the level of capital and start-up funding obtained, a group seeking to create a new credit union should:

- Contact ABCUL to become a study group and form a steering committee of skilled members to execute the development phase of setting up a new credit union, then trained, certified, and approved by the FCA to run the authorised credit union.
- Contact FCA for common bond registration, which can be made up of members of a particular association or belonging to the same community, and strive to expand the membership base by attracting more members who can save regularly.
- Conduct a feasibility study demonstrating the needs and benefits of the credit union to acquire the support of both the members of the community and the sponsors.
- Develop a sound business plan demonstrating that the credit union will be self-sufficient within three years of the operations and approved by the FCA/PRA.
- Implement a fundraising strategy that secures funding to cover start-up costs and the estimated annual operational costs and be self-sufficient within three years of the operations.
- Should seek grant funding, donations, and deferred shares to help subsidise the start-up costs and annual operating costs, thus to generate the total funding to set up and run the new credit union.

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