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An Evaluation of the Access to Financial Services through Credit Unions Project: First Year Report

Research Summary

Social Research

Number: 07/2012

The Department for Local Government and Communities (DLGC) of the Welsh Government commissioned an evaluation of the Access to Financial Services through Credit Unions project in 2011. The long-term evaluation, which is being undertaken by Old Bell 3 Ltd, aims to assess the impact and effectiveness of the project and review the extent to which its aims and objectives have been met.

The evaluation is being carried out over three distinct stages and this first year report presents the findings of the first stage formative evaluation.

Introduction

The Access to Financial Services through Credit Unions Project (referred to as the Credit Unions Project) is now in its second phase of delivery, having been piloted for a one year period from April 2009.

Funding of £1.5 million was made available for the phase one project (£750,000 of which was via the Community Economic Development strand of the European Regional Development Fund) and during this phase 22 credit unions were awarded funding via a Welsh Government Service of General Economic Interest (SGEI) agreement. Capital and revenue funding was awarded to credit unions (albeit not all credit unions accessed capital funds) and each credit union had specific targets to meet as part of their funding agreement.

The Wales Co-operative Centre was contracted by the Welsh Government to administer these first phase funding agreements as well as to provide support to the credit union sector in Wales.

Dadansoddi ar gyfer Polisi



Analysis for Policy

Phase two of the project, which has been implemented since October 2010 and will continue until December 2013, is being funded with just under £3.5 million (£1.88 million of this being EU funding). 16 credit unions were involved in the project at the time of our fieldwork.

The Welsh Government contracted the administration of the second phase funding agreements as well as the support provision to the credit unions sector in Wales to The Social Investment Business (TSIB).

Methodology

This report is based on a work programme undertaken between May and November 2011 which involved:

- Attending an initial meeting with the Evaluation Steering Group to agree the evaluation work programme;
- Undertaking a literature review of UK and Welsh policy and legislation in respect of the credit union sector;
- Reviewing key documents relating to the design and delivery model for the Credit Unions Project;

- Reviewing phase one and phase two project monitoring and output data;
- Reviewing financial and performance data relating to credit unions in Wales;
- Developing semi-structured topic guides and undertaking consultations with a total of 16 stakeholders;
- Developing and deploying a web based survey of the managers of the 16 credit unions supported by the project. Ten responses were received, representing a response rate of 62.5%.

Findings

Our research found that the policy context in Wales is highly supportive of the credit union movement although expectations of the sector are arguably too high and wide-ranging. Despite the Credit Unions project being well rooted in and aligned with key Welsh Government policies there has been tendency to expect credit unions to provide solutions for a range of policy objectives with limited resources to do so, possibly at the expense of developing sustainable and strong performing credit union operations.

The evaluation found that there was, and continues to be, a strong need for and clear policy rationale for public sector intervention to support and develop the credit union movement in Wales. We are of the view that there is a particularly strong case to focus future support upon credit unions which demonstrate the ambition and capacity to grow.

We conclude that the Welsh Government's decision to make available both capital and revenue funding to the sector was appropriate but that many lessons were identified from this experience – most importantly that funding should have been invested in a more strategic manner and better aligned to common and SMARTer outcomes.

The evaluation found that too many priorities were initially set for the phase one project and that there was a clear disconnect between the various objectives and the targets set at the strategic, project and individual credit union levels. We conclude that the project did meet most of its phase one WEFO targets

but that outputs reported by credit unions themselves were fairly weak during this period. Several factors contributed to this relatively poor performance, not least the lack of alignment between project and credit union level targets. Evidence gathered does show, however, that credit unions supported by the project have made positive progress across some areas of their operations, such as growth in membership, and that the project contributed towards these developments.

Finally we conclude that the phase two project is making acceptable progress against its WEFO targets and we see no reason as to why the WEFO targets cannot be achieved over this phase. It is very positive that current SGEI funding agreements have been simplified and better aligned with WEFO Business Plan targets but we suggest maintaining a very limited number of other consistent targets which would assist in assessing and measuring the progress of individual credit unions towards self-sustainability. We are less confident that the phase two project will be able to achieve the high level targets

set out for the sector in the Credit Union Action Plan given the lack of priority currently given to some areas of activity such as a public awareness campaign and volunteer recruitment process.

Recommendations

The evaluation makes five recommendations, namely:

Recommendation 1: We recommend that the Welsh Government and WEFO continue to fund the Access to Financial Services through Credit Unions Project.

Recommendation 2: We recommend that a smaller number of key priorities focused upon the WEFO Business Plan targets and credit union financial sustainability indicators (as presented by PEARLS) be adopted and agreed as the focus for the remaining phase two period.

Recommendation 3: We recommend that both capital, if possible, and revenue investment is made available to credit unions in Wales via the project. However, the Welsh Government needs to revisit

the mechanisms for awarding such funding and in particular ensure that funding is provided for the purpose of achieving SMARTer outputs.

Recommendation 4: We recommend that the current delivery arrangements be continued, and as part of the recent Stabilisation initiative that the Welsh Government looks to provide more specialist expertise to the sector in areas such as accountancy and financial control. We further recommend that the Welsh Government should explore the option of administering credit union SGEI funding agreements directly so as to simplify and to reduce project administration costs.

Recommendation 5: In terms of developing relationships a greater focus should be given to improving communication amongst credit unions, with a view to promoting good practice and exploring opportunities for sharing resources/services.

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