

# STRATEGIC PLAN

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## Version History

Version	Date	Amendments
0.1	July 2013	Initial Version.
1.0	September 2013	No Amendments.

## 1. Legislation

### Section 76A – Strategic plan\*

- (1) The board of directors of a credit union shall cause to be prepared and shall adopt a plan (in this Act referred to as a 'strategic plan') which documents the strategy and objectives of the credit union (in this Act referred to as the 'strategic objectives') and indicates how those strategic objectives are to be achieved.
- (2) A strategic plan shall include—
- (a) the objectives of the credit union's activities for a specified period of at least 3 years,
  - (b) the nature and scope of the activities to be undertaken,
  - (c) the strategies and policies for achieving those objectives,
  - (d) the targets and criteria for assessing the performance of the credit union,
  - (e) the financial projections for the credit union for a specified period of at least 3 financial years from, and including, the current financial year together with the supporting financial analysis and assumptions made,
  - (f) the funding strategy proposed to support the projected balance sheet structure, and
  - (g) such other matters as may be prescribed by the Bank.<sup>1</sup>
- (3) A credit union shall maintain adequate resources, both financial and non-financial, in relation to the nature, scale, complexity and risk profile of the activities being undertaken or to be undertaken in accordance with the strategic plan.

### Section 55 – Functions of board of directors\*

*(This Chapter has not reproduced the entirety of section 55 – please consult the Credit Union Act, 1997 for the full provision.)*

<sup>1</sup> The Central Bank has not yet prescribed Regulations under this subsection.

- (1) Without prejudice to the generality of section 53(1), the functions of the board of directors of a credit union shall include the following:
- (a) setting the strategy for the credit union by preparing, including active participation and examination of strategies being developed or proposed by the manager, management team or others and preparing and adopting a strategic plan;
  - (b) monitoring the implementation of the strategic plan by the credit union, reviewing the performance of the credit union against the measurements defined in the strategic plan and assessing, on a regular basis but at least annually, how the strategic objectives of the credit union are being achieved;
  - (c) reviewing the credit union's strategic plan on a regular basis, but at least annually, to ensure that it remains relevant and up to date and modifying or revising the strategic plan to incorporate any changes required as a result of the review;
  - ...
  - (k) exercising appropriate oversight over execution by the management team of the agreed strategies, goals and objectives;
  - ...

**Section 63A – Manager of credit union\***

*(This Chapter has not reproduced the entirety of section 63A – please consult the Credit Union Act, 1997 for the full provision.)*

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- (4) The functions of the manager of a credit union include the following:
- (a) without prejudice to the exercise by the board of directors of its functions under subsection (1)(a) of section 55, preparing and proposing to the board of directors for debate, scrutiny and approval, strategies for the strategic plan that the board of directors are required to prepare and approve under that subsection;
  - ...
  - (b) implementing the strategies agreed by the board of directors to the standards set out in the strategic plan or as otherwise required by the board of directors;
  - ...

## 2. Guidance

### 2.1 Preparation of the strategic plan

The board of directors of the credit union should ensure the following are considered, at a minimum, when the strategic plan is being prepared and proposed strategies are being identified:

- the goals and objectives of the credit union;
- analysis of the credit union's economic, social, technological and competitive environment including:
  - the current economic climate and economic forecasts; and
  - the evolving market conditions and current and anticipated member product and service needs;
- a comprehensive and realistic appraisal of the existing business model, including analysis of the credit union's income and expenditure and financial position, membership and common bond, competitive capabilities, governance arrangements, risk management and operational capabilities;
- the regulatory framework including upcoming changes in legal and regulatory requirements and guidance;
- the risk tolerance of the credit union and the risks that the credit union is, or might reasonably be, exposed to; and
- the outcome of independent reports and evaluations such as any reports made by the auditor, asset reviews, operational reviews, internal audit reports, inspection reports and any other third party report.

### 2.2 The strategic plan

The board of directors should determine the feasibility of any proposed strategies, including strategies proposed by the manager, and identify the cost and benefit of each strategy. This should include financial analysis supported by assumptions. The assumptions should be documented and include an explanation for the basis of the assumptions. The board of directors should challenge any assumptions made to ensure they are realistic.

When considering strategies, including proposals for new products or services, material modifications to existing products and services, or major management initiatives, the board of directors should ensure any risks associated with the strategies are identified

and assessed and that the risk management system required under section 76B of the 1997 Act and other relevant areas are reviewed and updated.<sup>2</sup>

The board of directors should ensure that the strategic plan is communicated to all officers of the credit union.

### **2.3 Strategies and policies for achieving strategic objectives**

The strategies and policies for achieving the strategic objectives of the credit union should be set out clearly in the strategic plan and should cover the following at a minimum:

- the activities to be undertaken to implement the objectives;
- organisational arrangements for the implementation of the strategic plan, setting out the roles and responsibilities of officers of the credit union;
- standards for the implementation of strategies by the manager;
- targets and criteria for assessing the performance of the credit union against the strategic plan; and
- reporting arrangements, including the frequency, form and content of reporting to the board of directors on the implementation of the strategic plan.

### **2.4 Maintaining adequate resources**

The strategic plan should include an assessment of key financial and non-financial resources needed to support the activities undertaken or to be undertaken in the strategic plan. This assessment should have regard to the nature, scale, complexity and risk profile of the credit union. In ensuring that the credit union maintains adequate resources in relation to the nature, scale and complexity of activities to be undertaken by the credit union, the board of directors should ensure that the information systems are appropriate to support those objectives, as required under section 76G(2) of the 1997 Act.<sup>3</sup>

### **2.5 Monitoring implementation of the strategic plan and reviewing performance against the strategic plan**

The board of directors should monitor the credit union's implementation of the strategic plan and should review the performance of the credit union against the strategic plan on a regular basis, at least quarterly. In monitoring implementation of, and reviewing the performance of the credit union against, the strategic plan the board of directors should, at a minimum:

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<sup>2</sup> See the Chapter on "Risk Management and Compliance".

<sup>3</sup> See the Chapter on "Operational Risk".

- receive reports from the manager on the implementation of the strategic plan, including the credit union's actual financial performance in comparison to the financial projections contained in the strategic plan; and
- assess the performance of the credit union against targets and criteria set out in the strategic plan.

The board of directors should ensure it receives timely reports of any deviations from financial projections, targets or criteria set out in the strategic plan so that they may be discussed by the board of directors at an early stage.

The board of directors should also ensure that necessary actions are taken to address any deviations from financial projections, targets or criteria set out in the strategic plan.

## **2.6 Review of the strategic plan by the board of directors to ensure continued relevance**

In reviewing the strategic plan, at least annually, the board of directors should, in addition to guidance under the "Preparation of the strategic plan" Section of this Chapter, consider the following at a minimum:

- outcomes of the review of the credit union's performance against the measurements defined in the strategic plan;
- risk events that have occurred;
- any proposals in relation to new products and services, material modifications to existing products and services, such as outsourcing to service providers and major management initiatives, such as transfers of engagements or amalgamations; and
- changes in the financial position of the credit union.

Following this review, the board of directors should update the strategic plan as necessary to take account of the above.

Where a significant event occurs outside of the formal review process that could affect implementation of the strategic plan, the strategic plan should be reviewed and updated to take account of this event.