

ANNUAL MEETING



AGM 2019

Annual General Meeting

Agenda:

1. Welcome by the Chairman
2. Verification of Quorum and Apologies
3. Approval of the Minutes of the last Annual General Meeting
4. Report of the Board of Directors: Mike Harrowven
5. Report of the Treasurer and consideration of Accounts: Ruth Wailes

Proposal for the payment of Dividend (see below)

6. Report of the Auditor: Ruth Wailes
7. Appointment of Auditors for the coming year: Ruth Wailes
8. Report of the Supervisory Committee: David Daynes
9. Any Other Reports:
Office Report: Chris Mole
10. Election of Directors
11. Election to the Supervisory Committee
12. Any other business
13. Amendment to rules (see Proposed Motion below)
14. **Proposal of the Honorarium to the Treasurer**

Proposed Motion:

The Board recommend the removal from the common bond of the names of housing associations that have been merged and or renamed and further recommends the removal from the common bond of the category: national employees of the Department of Work and Pensions.

Proposed Dividend:

The board proposes that a dividend is not paid.

(N.B. Interest will be paid on Junior accounts at 2%)

2017/2018 Board of Directors

| | |
|-----------------|-----------|
| Mike Harrowven | Chair |
| Ruth Wailes | Treasurer |
| Julie Mansfield | Secretary |
| Frank Eliel | (part) |
| Denise Lawson | (part) |
| David Adams | |
| Sally Chicken | |
| Andrew Wailes | (part) |

Supervisory Committee

David Daynes (Chair)
Wioletta Stroz

Complaints Officer

Julie Mansfield

Chief Executive

Chris Mole

Suffolk Team

Mark Rattle
Sylvia Ellis
Linda Taylor
Becca Cotton
Chris Day

Tony Cooper-Squirrell
Michel Scott

Norfolk Team

Muireann Adams
(part)

In addition to those named above, the Board of Directors wish to thank the many volunteers without whose help we could not function.

New directors will be elected at this meeting.

Directors' Report

We have welcomed over a thousand new members during the year, however we have further closed dormant accounts leaving us with around 3,200 active members. During this year we increased the number of members who are active borrowers.

The board met monthly to review progress, and to provide strategic guidance to the credit union. To help with this it has received regular reports from the Treasurer, the Supervisory Committee, the Marketing Sub Committee and the Chief Executive. The board held an awayday event to plan the forward strategy for the credit union.

We have focussed on the opportunities for digital marketing, including promoting the credit union using social media advertising. We note the increasing number of members using online and mobile loan and membership application processes from all three counties in our common bond.

After the termination of the national Credit Union Expansion Project (CUEP) transformation program we have reviewed the alternative options for improving our systems and processes. We will now be implementing new online membership and loan applications and associated workflow management tools.

We have made more larger loans at lower interest rates where the borrower can be assessed to be a lower risk of defaulting on their repayments. This meets our strategic objective of underpinning the credit union's lending with longer term secure lending. Whilst these loans now constitute 22% of the funds we lend, they are made up of just 7% of the volume of applications we consider. The bulk of our work continues to focus on our low-income small loan borrowers who might otherwise use a high cost lender.

We continue to work with a range of partners including housing associations and councils across the common bond. We have sought to refresh and expand relationships with employers during the year.

We have not pursued any merger plans during the year.

The directors thank the office staff and volunteers for their hard work during the year.

The recurring annual membership fee continues to make an important contribution to our income. We have seen no significant reduction in total member deposits. The credit union still holds sufficient member deposits to support our lending, however we will actively monitor the level of deposits as the loan book grows. We recognise this fee is controversial but remain committed to this mechanism until the credit union returns to profitability.

Our aim remains to deliver growth in membership and lending to secure the future of the credit union without external support. We aim to provide services to the whole community but will never forget we may be the only provider of financial services for those at risk of financial exclusion.

This is my first report from the chair and I would like to thank my predecessor, Frank Eliel for his hard work over recent years.

Mike Harrowven – Chair, On behalf of the Board of Directors

Treasurer's Report

The audited accounts for the year ended 30th September 2018 show the Credit Union making a profit of £62,594 compared to a loss of £3,814 in the previous year. However, members must note that this is because we received a grant of £70,000 from the Lloyds Foundation to strengthen our reserves¹. This will allow us to grow the membership over 5,000 members in the future. Without the grant, the Credit Union would be reporting a loss for the year of £7,406. For this reason alone, the Board is not recommending the payment of a dividend at present. As a note, we have since the year end received a further £30,000 from the Foundation which will be added into reserves in the 2018/19 accounts.

The management accounts for the first 4 months of the 2018/19 year show a profit of £3,000 compared to a budget loss of £3,566. The budget for the remainder of the year is estimated to breakeven. If we achieve a small profit, then at the 2020 AGM the Board will be recommending the payment of a small dividend.

Interest income for 2017/18 increased by £7,721 compared to the previous financial year. The interest from members' loans increased by just over £4,000. Bank interest received increased by about £3,400 due to our finding better deposit account rates and increasing the amount of capital invested.

Other income received, in the form of fees and commissions, membership fees, grants, donations and other income, appears at first sight to have increased from £161,043 in 2017 to over £182,594 this year. However, this includes the £70,000 from Lloyds Foundation, so the adjusted income was a drop of almost £50,000. Many of the Credit Union's traditional funding partners have had their own incomes reduced in recent years due to cut backs in central government funding and increased demands on their resources. The Credit Union Board recognised this as a coming issue a number of years ago, and the decision was taken to move towards providing services for partners rather than accepting grants. This has protected our income to some extent, but as the partners' requirements change, our income has been affected too; for example, this year saw the phasing out of the Suffolk Local Welfare Scheme. We will continue to look for new initiatives that enable us to work with partners where the aims and goals of the Credit Union are closely aligned with theirs. The Board believes that the Credit Union is in a good position going forward, albeit with challenges.

Administrative expenses were just over £37,000 lower this year than last. Given that we saw a reduction in administrative expenses of almost £48,000 in 2017, we are now saving £85,000 compared with 3 years ago.

Wages and salaries were reduced by almost £22,000 in 2018; this was due to staff contracts ending as the income from partner organisations which funded those roles was withdrawn. The majority of the remaining salaries are now covered by income.

Also, during the year, the Credit Union shop at Westgate Street, Ipswich was closed, which has saved a small amount; the real benefit has been in enabling all the staff to be located at Austin Street, with improved communications and staff safety.

Marketing costs dropped by over £10,000 back to a similar level as in 2016. The decision to use more digital marketing methods so as to reach potential members in those communities that we would never be able to reach in person or via a collection point has continued, and over 1,100 new members joined during the year.

¹ The allocation of the Lloyds grant to reserves was a condition of the grant.

New loans issued to members during the year increased by almost £150,000, from £651,856 in 2016/17 to £796,562 this year.

The amount out on loan to members has increased 26%, by an additional £166,000 to £818,509 as at 30th September 2018. It is the additional interest which will be earned on this growing loan book which will enable the Credit Union to become profitable and self-sustaining, with the ability to pay a dividend in future years.

I am pleased to report that in spite of increases in the loan book, the bad debt decreased in the year by around £44,000 – almost half of the 2017 figure. This is due to a combination of new technology with several full years of the ALD credit checking tool which I mentioned in last year's report, and the diligent work of the office team, from the loan officers checking the loan applications through to the staff chasing payments where necessary, and as a last resort sending members to debt collection services. Members sometimes need to be reminded that in order for the Credit Union to make a loan next week, those that borrowed last year need to make their repayments; otherwise the whole system will fail.

I would like to close by thanking all the office staff for their help and hard work during the year, and particularly to Mark Rattle, the Credit Union's Finance Officer whose constant hard work and careful maintenance of the accounts makes my job as Treasurer so much easier than it might be.

Ruth Wailes

Director Treasurer

Lending Report

The majority of our loan applications are now received online and applications are completed within two or three working days when we have all the information required.

The loan book grew by 25% in the year. Whilst we continue to meet our objective of making more larger loans to a broader demographic, three quarters of our loans are Starter loans typically taken by our low-income borrowers.

| Category | Value 2018 | <i>Value 2017</i> | Number 2018 | <i>Number 2017</i> | per cent 2018 | <i>per cent 2017</i> |
|--------------------------------|-------------------|-------------------|--------------------|--------------------|----------------------|----------------------|
| Baby | £500 | £4,350 | 1 | 8 | 0.1% | 0.7% |
| Bills (Living Expenses) | £25,630 | £27,400 | 37 | 39 | 3.2% | 4.2% |
| Birthday | £2,200 | £500 | 4 | 1 | 0.3% | 0.1% |
| Christmas | £43,750 | £39,700 | 69 | 56 | 5.5% | 6.1% |
| Debts Consolidation | £158,847 | £71,453 | 50 | 32 | 19.9% | 11.0% |
| Funeral | £3,350 | £10,200 | 4 | 7 | 0.4% | 1.6% |
| Furniture / Appliances | £47,460 | £71,700 | 77 | 84 | 6.0% | 11.0% |
| Greener Home | £7,463 | £8,404 | 2 | 3 | 0.9% | 1.3% |
| Holiday | £99,850 | £55,950 | 94 | 59 | 12.5% | 8.6% |
| Household Improvements | £131,584 | £122,320 | 99 | 99 | 16.5% | 18.8% |
| Medical | £6,500 | £2,650 | 5 | 3 | 0.8% | 0.4% |
| Motoring | £184,210 | £173,940 | 121 | 121 | 23.1% | 26.7% |
| Moving Costs | £12,650 | £9,900 | 9 | 9 | 1.6% | 1.5% |
| Oil / Fuel | £2,100 | £2,450 | 6 | 6 | 0.3% | 0.4% |
| Rent Arrears | £1,100 | £2,400 | 2 | 4 | 0.1% | 0.4% |
| Rent Deposit | £36,744 | £32,704 | 32 | 31 | 4.6% | 5.0% |
| Study / Educational Assistance | £10,200 | £8,405 | 6 | 8 | 1.3% | 1.3% |
| Vets | £3,425 | £400 | 4 | 2 | 0.4% | 0.1% |
| Wedding | £19,000 | £7,050 | 6 | 5 | 2.4% | 1.1% |
| TOTAL | £796,562 | £651,875 | 628 | 577 | | |

Supervisory Committee Report

David Daynes continues to Chair the Committee, Michael Scott performs monthly audit checks and Wioletta Stroz undertakes regular verification of the bank reconciliations as required by the PRA.

Detailed checks have continued during the year and the programme amended to take into account changes to the operating environment. The checks performed are independent of the management team and the programme is agreed between Michael and David Daynes.

The areas where Michael performs checks are:

- The granting and processing of loan applications
- The processing of membership applications
- The accounting for and attribution of receipts
- The authorisation of and accounting for payments
- The operation of the Credit Control function
- The operation of the Foreign Exchange business
- The operation of the Prepaid Debit Cards
- The application of the membership fees policy
- Audit checks in respect of money laundering

No issues arose from these checks which the Committee feel require reporting to the members.

The Money Laundering Reporting Manager function is currently being undertaken a member of the management team. An independent MLRO is being sought but this search has not yet been successful. The Board continues to seek a solution to this important issue but identifying a suitable candidate willing to act is proving challenging.

The reviewed policy manual was issued in September 2018 and procedures are now being updated to take account of any changes made within the policies which impact them. Work to tighten a number of controls, which it was intended would be covered by the accounting system provided as part of the Credit Union Transformation Project, has commenced utilising the CU Forms software. This has currently been implemented for membership applications and will next be rolled out to support loan applications. The manner in which data is captured by this system and passed into the main operating systems significantly reduces the risk of errors.

David Daynes

Supervisory Committee

Chief Executive's Report

We have begun to implement improved member services by streamlining membership and loan applications. We applied for and secured a grant from the Rope Trust to support our investment in a system known as CUForms. This platform links to our credit union banking software and enables automated AML checks and straight-through-processing where the data input by an applicant is transferred with minimal manual intervention. We will be able to offer electronically signed Loan Agreements in future years.

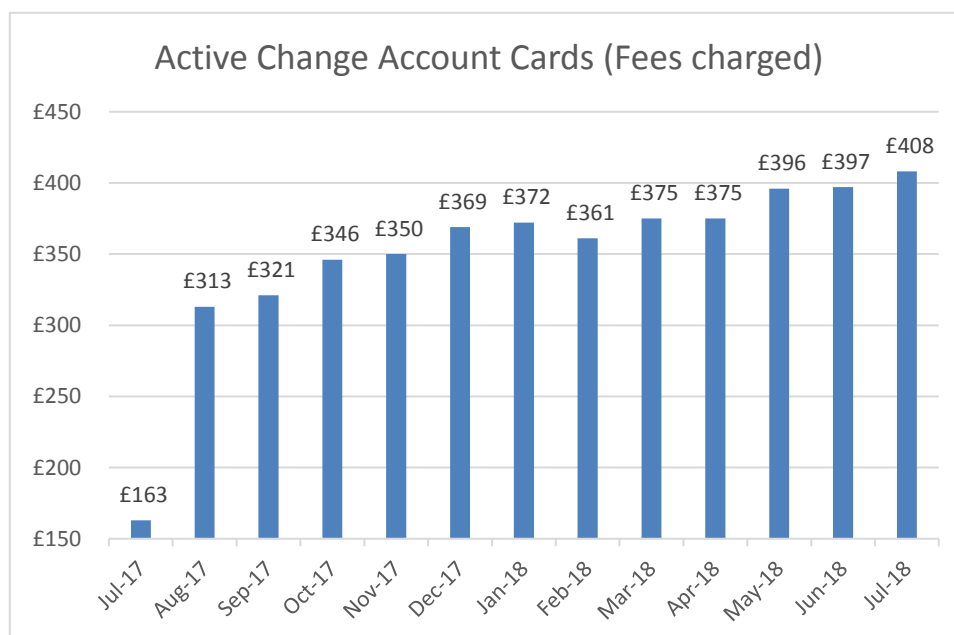
The Lloyds Foundation offered grants to enable credit unions to strengthen their capital position and we were able to secure an award of £30,000. We now hold enough capital to allow the membership grow to more than 5,000 members.

We have opened a second corporate bank account with Lloyds Bank to provide operational resilience in case of problems with the Cooperative Bank.

We have increased our direct communications with members using email. This has been supplemented with text messages to notify members of events such as the need for them to sign a loan agreement, if they have missed a loan payment and for credit control.

As part of our marketing strategy we have improved our website to attract more traffic and to retain visitors to the site. We have developed search engine optimisation skills within the team and can now drive new business to our website from Facebook through effective advertising campaigns.

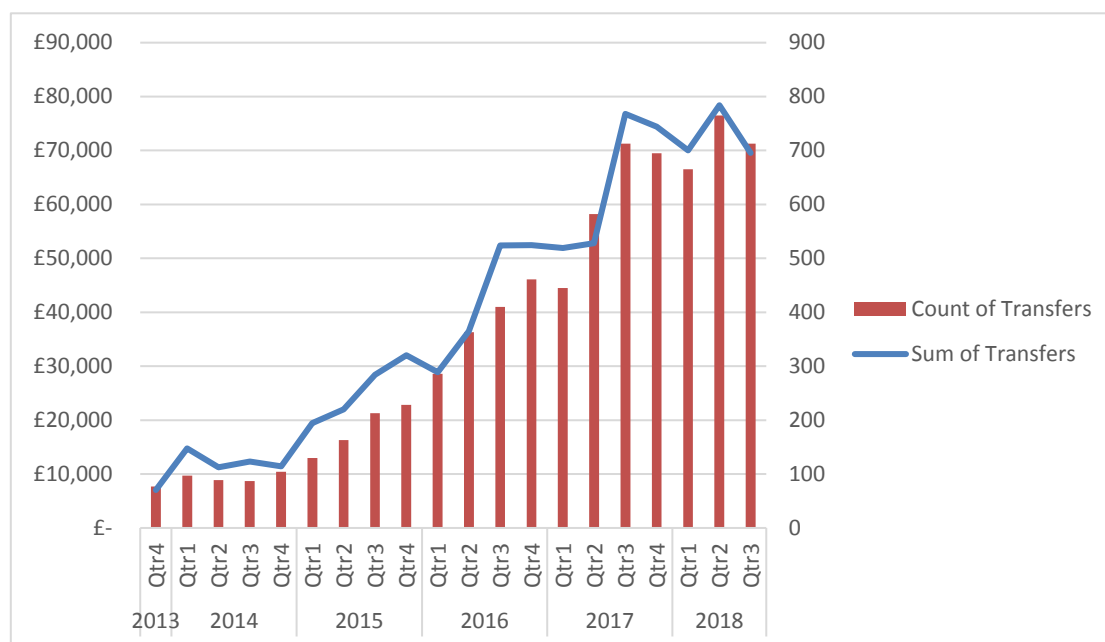
We now have many members using The Change Account. The account includes a sort-code and account number and members can arrange direct debits and standing orders from their account. A strong feature of this account is the absence of any penalty for a failed direct debit. The account comes with a Mastercard that features retailer discounts. Although there is a monthly account charge, this can be offset by retailer discounts. The account charge generates an income for the credit union.



The credit union experienced some problems this year with our broadband provider and we have now implemented a backup broadband service that enables us to maintain continuity if there are further problems.

We have implemented a VOIP telephone system at head office to enable better call handling.

We have seen an increase in member self-service with the volume and value of transfers made by the e-Web service continuing to grow.



We are looking for opportunities to fund a mobile application to extend self-service to members.

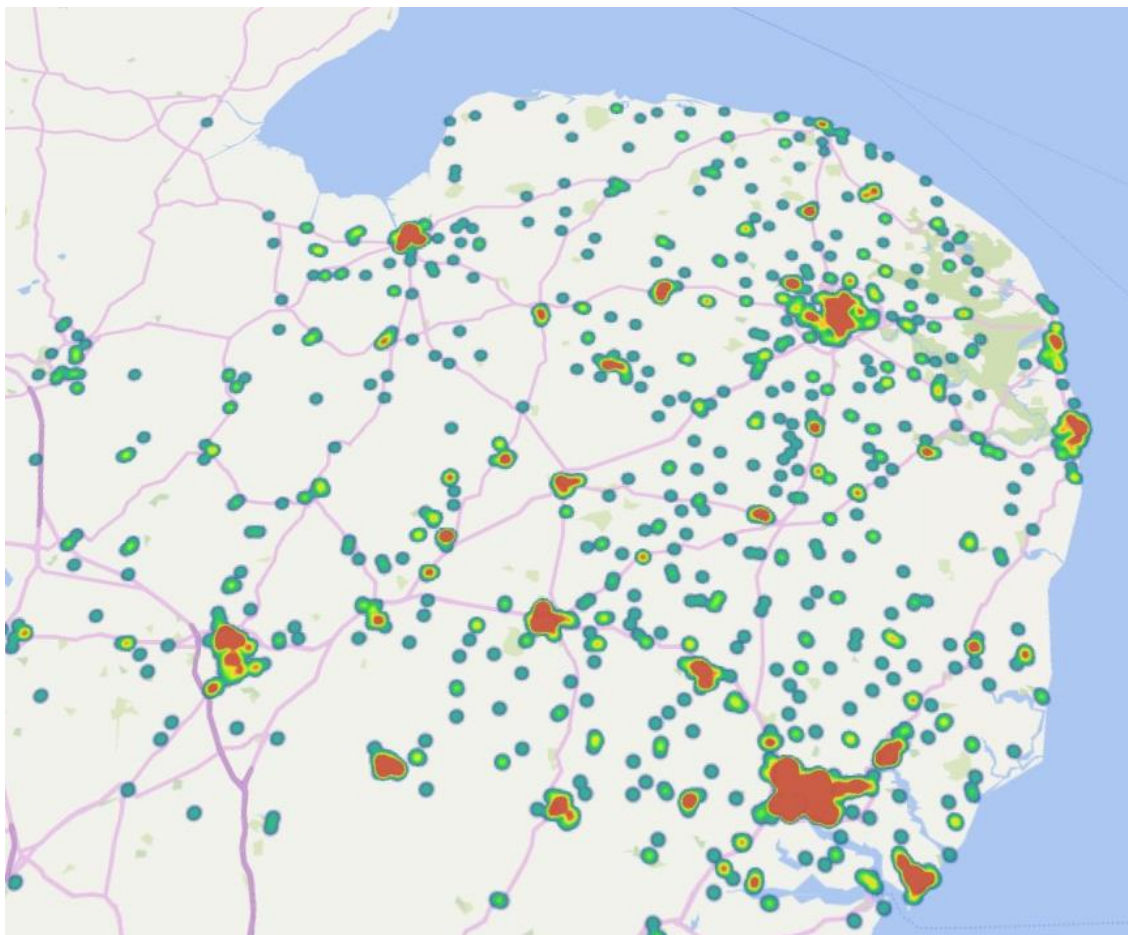
We have received helpful feedback from Cornerstone Mutual Services about the Automated Lending Decision tool we currently use. The feedback shows a lower default rate on loans that have been decided using ALD and has been helpful in shaping the Loan Officer's risk appetite. The feedback also shows that credit unions are lending in postcodes where other lenders do not operate.

Muireann Adams joined the team to work with Broadland District Council for six months this year. We thank Muireann for her contribution.

Chris Mole
Chief Executive

Where do our members live?

We have made significant progress in recruiting members from across the three counties and this map shows that our online services enable us to reach members in remote and rural locations not served by other lenders.





Eastern Savings and Loans Credit Union Ltd.
61-63 Austin Street, Ipswich, IP2 8DF
Tel: 03336 000690
Email: office@eslcu.co.uk
Web: www.eslcu.co.uk