

Annual Meeting



AGM 2021

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: Mark Anderson
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: Barbara McLellan
9. Any Other Reports:
Office Report: Chris Mole
10. Election of Directors
11. Election to the Supervisory Committee
12. Any other business
13. **Proposal of the Honorarium to the Treasurer**

Proposed Dividend:

The board proposes that no dividend is paid on the balance of shares held by member in 2019/20.

(N.B. Interest will be paid on Junior accounts at 1%).

2019/2020 Board of Directors

Mark Anderson	Chair
Ruth Wailes	Treasurer
Julie Mansfield	Secretary
Graham Evans	
Les Abbie	
Sally Chicken	
Andrew Wailes	
Michelle Monck	

Supervisory Committee

Barbara McLellan
(Chair)
Wioletta Stroz

Complaints Officer

Julie Mansfield

Chief Executive

Chris Mole

Office Team

Mark Rattle
Sylvia Ellis
Linda Taylor
Becca Cotton
Chris Day

Tony Cooper-Squirrell
Michael Scott

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

There will be an election for those directors whose term ends this year.

Directors' Report

2020 was a difficult year for many social enterprises and businesses and Eastern Savings and Loans, like many credit unions, has struggled as consumer confidence fell and we faced the uncertainty the pandemic would inevitably bring. We approached the AGM in 2020 having achieved a £1 million loan book and anticipating we would pay a dividend but decided it would be prudent to withdraw this proposal.

The board met monthly and has been proactive in reviewing progress and providing strategic guidance to the credit union. To help with this it has received regular reports from the Treasurer, the Marketing Sub Committee, and the Chief Executive. The board held an awayday event to plan the forward strategy for the credit union. The board requested additional reports from the management team to better understand the impact of the pandemic on the credit union's business.

Fewer new members joined the credit union during the year and after we had closed further dormant accounts, we were left with around 3,200 active members of whom 913 are active borrowers. Member deposits have increased during Covid-19, a trend in common with other credit unions.

The number and value of loans issued decreased during the year. In part members applied less frequently for loans and when they applied, they sought smaller amounts. Members continued to repay their existing loans with only around 30 members seeking "Emergency Payment Freezes". As loans were largely repaid at the same rate and a lower total value of loans was issued, the loan book reduced to £858k by the year-end.

The pandemic disrupted our digital marketing programme, which was showing promise in the first 4 months of the year prior to lockdown. The board intend to increase the marketing budget for this form of advertising as normal economic confidence returns.

The credit union has continued to focus on promoting small loans. This has helped to increase the interest earned and to reduce losses from bad debts.

We continue to work with a range of partners including housing associations and councils across the common bond and have not pursued any merger plans during the year.

The Board would like to extend our thanks to all our staff and volunteers for their hard work over the year – they have gone 'above and beyond' through multiple challenges to ensure the stability and progress of the credit union.

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 holds £1.6 million member deposits to support our lending, which means we have about half of our assets on loan. We recognise the membership fee has been controversial but remain committed to this mechanism for the time being.

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.

Mark Anderson – Chair, On behalf of the Board of Directors

Treasurer's Report

The year to 30th September 2020 will go down in history as a year like no other. During the first six months, the Credit Union continued to build on the success of 2019 when we returned an annual profit for the first time. And then, after 23rd March 2020, the second half of the year saw us facing a trading environment that no-one had ever imagined. But as a result of careful management of our resources and policies, pandemic related grants and the continuing flexibility and resolve of our staff, we have survived the year successfully, with only a small loss to report.

The loss for the year to 30th September 2020 is £3,345. In the previous year, there was a profit of £36,568 - £30,000 of which was a grant from the Lloyds Foundation to strengthen our balance sheet.

In my report last year, the Board proposed the payment of a 0.25% dividend. The Board decided to withdraw that proposal after the Government announced the first lockdown. With the increasing uncertainty affecting the whole economy, we needed to preserve the Credit Union's reserves. The Board also changed the lending policy. Pre-pandemic the maximum loan size was £7,500, which has been reduced to £4,000, and the interest rate on most new loans is now 2% or 3% per month. We took these decisions to contain our bad debt exposure, and the Credit Union will see the benefit of these decisions in future years.

The pandemic and, more specifically, the lockdowns have severely impacted our loan sales. Until the end of February 2020, the value of loans issued during the financial year was 10% ahead of budget. By the end of September, the total loans issued in the year were 79% of the budget figure. April 2020 saw the Credit Union issue less than a quarter of the loans that it had expected to. Members' loans outstanding at the end of September 2020 totalled £1,085,384, which is 5% lower than at the end of the previous financial year.

And yet, despite all the uncertainty, there have been positives:

- Interest income increased by 7%
- Service level agreement income rose by 6%
- Admin expenses fell by 6% (this excludes furlough grant received)
- Members' savings grew from £1,430,424 to £1,703,693 (4.0% increase)
- A total of £10,912,875 was paid into savings during the year by members.

We have several Service Level Agreements with partner organisations; under these, the Credit Union carries out administrative tasks outsourced by the partners and receives payment for this work.

Over the last few years, the Board has moved the Credit Union away from dependence on discretionary grants from partners and other organisations. The Board planned for 2019/20 to be the first year that we received no such funding, and given the economic climate, this was a timely decision. The Credit Union received £14,003 in pandemic related grants - £10,000 under the Coronavirus Small Business Support Grant Scheme and £4,003 under the Job Retention Scheme. Only one staff member was furloughed as an essential service the Credit Union shop remained open to serve our customers.

In the current financial year, the post-Christmas lockdown has again affected loan sales. Still, I am confident that the Credit Union is well-positioned for an increase in business when the restrictions are lifted. I want to thank all of the team for their resilience and patience during an uncertain and stressful time.

Ruth Wailes
Director Treasurer

Lending Report

Nearly all 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 reduced by 20% with significant reductions in holiday loans due to the pandemic and reductions in debt consolidation loans due to policy changes.

Category	Value 2020	Value 2019	Number 2020	Number 2019	per cent 2020	per cent 2019
Baby	£4,150.00	£3,700.00	10	6	0.6%	0.4%
Bills (Living Expenses)	£39,784.07	£38,736.00	79	65	5.8%	4.5%
Birthday	£2,350.00	£3,170.00	6	7	0.3%	0.4%
Business Development	£750.00	£0.00	1	0	0.1%	0.0%
Christmas	£82,920.00	£63,015.00	149	105	12.1%	7.3%
Debts Consolidation	£86,720.76	£158,731.00	38	49	12.6%	18.4%
Funeral	£2,120.00	£4,800.00	4	3	0.3%	0.6%
Furniture / Appliances	£94,375.00	£99,515.00	164	131	13.7%	11.5%
Greener Home	£9,840.00	£0.00	3	0	1.4%	0.0%
Holiday	£45,300.00	£110,047.00	52	110	6.6%	12.7%
Household Improvements	£96,325.00	£90,008.00	117	90	14.0%	10.4%
Legal Fees	£1,500.00	£7,000.00	1	1	0.2%	0.8%
Medical	£9,500.00	£11,100.00	5	9	1.4%	1.3%
Motoring	£137,975.00	£170,175.00	112	119	20.1%	19.7%
Moving Costs	£4,050.00	£11,900.00	8	8	0.6%	1.4%
Oil / Fuel	£5,252.00	£1,513.00	12	5	0.8%	0.2%
Rent Arrears	£0.00	£5,334.00		5	0.0%	0.6%
Rent Deposit	£41,497.90	£49,314.00	39	46	6.0%	5.7%
Study / Educational Assistance	£5,200.00	£14,083.00	6	11	0.8%	1.6%
Vets	£6,400.00	£3,900.00	2	4	0.9%	0.5%
Wedding	£11,800.00	£17,375.00	6	5	1.7%	2.0%
Grand Total	£687,809.73	£863,416.00	814	779		

Supervisory Committee Report

David Daynes left the committee at the last AGM in 2020 and I was elected to the role. I made a visit to the offices in Ipswich shortly after the AGM to meet the staff and understand the systems and processes followed.

Shortly after this, the country went into lockdown due to the Covid19 pandemic. During 2020/21, the normal routine of monthly internal audit checks were interrupted as a result of restrictions and the staff not being able to travel into the office. During this time, I have received two records of internal audit checks, but I have not been able to review this against actual records due to on-going restrictions.

I have received bank reconciliations from Ruth Wailes which appeared to have been carried out correctly but again I have not been able to cross check this against any records.

The MLRO has provided five reports (including the annual report) which have not highlighted any areas of concern. It was noted in the MLRO's report that there have been a number of transactions in the sum of £5,000 but these did not raise any issues of concern.

I have not been able to agree an internal audit programme with Michael Scott for this year, so he has been working on an extended programme from the previous year. This would have followed the format as listed below.

- 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
- Audit checks in respect of money laundering

No issues were highlighted by Michael as part of his audit.

The independent MLRO has been recruited and has reported five times during the year as detailed above.

Barbara McLellan
Supervisory Committee

Money Laundering Reporting Officer Report

This report covers the anti-money laundering (AML) activities of the Eastern Savings and Loan Credit Union (ESLCU) for the year 2019-2020, covering the period 1st October 2019 – 30th September 2020.

This report is a summary of the information contained in the monthly Money Laundering Prevention (MLP) reports submitted by the ESLCU Finance Officer during this period. The monthly reports have also been summarised in the four quarterly MLRO reports submitted to the ESLCU Board at the end of each quarter during the year.

The format of the monthly reports was agreed between the CEO, Finance Officer and MLRO and implemented from October 2019 onwards.

As MLRO I can confirm that MLP reports covering the 12 months October 2019 – September 2020 inclusive were submitted in a timely fashion by the ESLCU Finance Officer and these reports confirmed that all the operational activities required to implement ESLCU anti-money laundering policies were implemented.

Over the year, a total of just over a thousand new members joined the credit union. Of these, around 1% on average failed to provide ID within one month of joining. New members who do not provide ID are not allowed to withdraw funds from their account.

Over the year, no suspicious activity was observed.

Each month there were a few large transactions (£5,000 or more) but none gave rise to any concern.

No politically exposed persons joined the credit union during the year.

The membership of the credit union was checked each month against the Bank of England sanctions list and yielded negative results.

In November 2019, five directors and the CEO received anti-money laundering training at the ESLCU office. Training was provided by the Chairman.

A significant event during the year was the collapse of the payments processor and financial services provider Wirecard due to accounting fraud. This caused significant disruption to ESLCU's Change Account operations but gave no rise to any concerns about money laundering.

Les Abbie
MLRO

Chief Executive's Report

Whilst the Coronavirus pandemic has significantly disrupted many businesses, we had already moved much of our service online. This meant new and existing members could apply for membership and apply for loans online and issued loans can be sent by bank transfer. We actively discourage members from making cash withdrawals in person and have implemented measures to ensure those few who do need to come to the office and our staff can interact safely.

Our employees are key workers and they have continued to provide service throughout lockdowns, with some working from home when that has been possible.

We took much advice from other credit unions through the ABCUL "All Member Forums". These were a series of fortnightly online meetings where our trade body enabled member credit unions to share best practice and strategies for dealing with the pandemic.

To reduce the need for paperwork we implemented electronically signed Loan Agreements using RMail technology. Most members have adopted this without difficulty.

We have encouraged more members to use the AccountScore Open Banking solution to enable them to share their bank account data without having to send paper documents to the credit union. This information also gives us an individual view of the member's ability to afford loan repayments.

We have moved to a new credit reference agency to provide us with credit history information. The Automated Lending Decision tool (ALD) was retired, and we moved to a similar service provided by TransUnion (formerly Call Credit). We now report CAIS data (information about arrears and missed payments) only to TransUnion. The board decided we would not continue to report to Experian because the cost of reporting outweighed the benefit to members.

We have continued our direct communications with members using email and SMS. We have further improved our website to attract more traffic and to retain visitors at the site.

We never forget our ethical purpose. Since we were founded, we have had 15,000 members. Members have borrowed around £11.3 million from the credit union and if every borrower had a £500 loan, they would have saved £230 in interest compared to a doorstep lender. This means we have delivered over £5 million of benefit to the community in reduced interest payments.

How we have helped



Net saving to the community:
£5.1 million.

- Since 2002 we have had 15,000 members.
- Members have borrowed around £11.3 million from the credit union.
- If every borrower had a £500 loan they would have saved £230 in interest compared to a doorstep lender.

It was natural for us to want to help members in difficulty during the pandemic and we provided “Emergency Payment Freezes” for around thirty members who faced loss of employment or reduced income from furlough during 2020.

Members using The Change Account faced difficulties in June 2020 as the card issuer was put under restrictions by the FCA to protect funds held by account holders. Subsequently the Omnio group announced their intention to close The Change Account and to replace it with Vox Money. At the end of the year, delays to the launch of Vox Money caused us to move to Engage, provided only to credit unions by Contis. Engage Accounts also include a sort-code and account number, and members can arrange direct debits and standing orders from their account. The card provided is a Visa card and members also receive cash back rewards for using retailers who partner with Engage.



We have seen even more use during the pandemic of self-service with the volume and value of transfers made by the e-Web service continuing to grow.

The credit union employs a qualified accountant as its Finance Officer. This strengthens our budgeting and financial control skills. Our financial reporting to the FCA and our audit preparations are exemplary.

Despite the pandemic we remain ambitious to achieve financial sustainability. The credit union has survived a very difficult year and is now looking to see the economic climate improve. We hope that mass vaccination and more confidence amongst members and potential members will enable us to regain the growth in the loan book which will help us progress.

I would like to thank the team at Austin Street and the Board of Directors for their individual and collective contributions to the performance of the business in 2019/20.

Chris Mole
Chief Executive

Notes



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