

ANNUAL REPORT 2024



ANNUAL REPORT & ACCOUNTS FOR THE YEAR ENDED MARCH 2024

The 2024 annual report covers the extended
financial year, October 2022 to March 2024.

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Financial Services Compensation Scheme

The money you deposit into your credit union account, up to £85,000, is protected under the Financial Services Compensation Scheme (FSCS). The credit union is compliant with the requirements of the scheme and undertook a successful test this year.

Fidelity Bond Protection

Your money is further protected by the credit union buying Fidelity Bond Insurance. This insurance protects your money against staff dishonesty or theft.

Regulated and Authorised

Authorised by the Prudential Regulation, Authority and regulated by the Financial Conduct Authority and the Prudential Regulatory Authority. FRN is 213756.



CHAIR'S REPORT

Welcome to our Annual Report. This report is unusual as an accounting change means it covers an eighteen rather than a twelve-month period.

We anticipated challenges from the Cost-of-Living crisis however this has not impacted our ability to provide savings and loans to more members and we helped more borrowers in 2023. We continued to focus on small loans which along with an effective lending strategy enabled us to again increase our income.

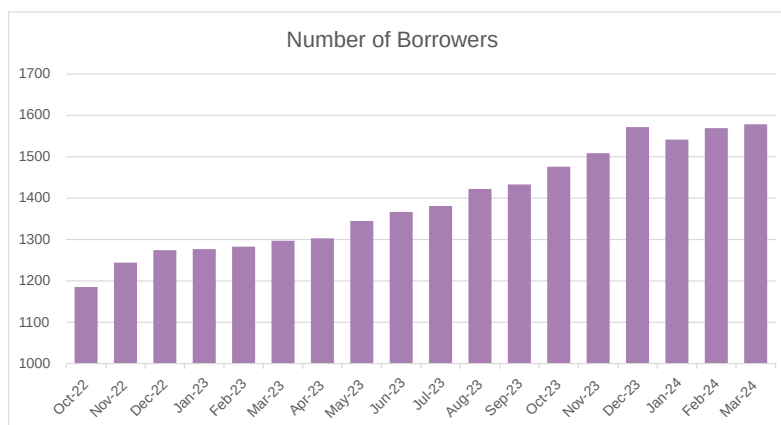
The board continued to meet monthly to review progress and provide strategic guidance to the credit union. We have discharged our responsibility to keep proper accounting records, maintain a satisfactory system of controls, safeguard the credit union's assets and take steps for the prevention and detection of fraud and other irregularities.

Mandy Errington left the board during the year, and we were joined by two new members Robert Finch and Michael Kitching.

The credit union is a mutual social enterprise with both social and ethical objectives. We will now provide a Social Impact Report which will show how we help improve financial wellbeing in the communities we serve. We will use this to illustrate the extent of our impact and will share this with the many partners we work with.

We must thank our staff, volunteer directors and all our members for helping us to become a sustainable and successful credit union.

We hope you can join us at our AGM on the 18th September.



Graham Evans
Chair of the board

TREASURER'S REPORT

I am delighted to present the draft accounts for the eighteen-month period ending on the 31st March 2024.

Since the credit union began, the financial year has ended on 30th September. However, after careful consideration, the Board took the decision to move the year-end to 31st March. There were two main reasons for this:

1. Most credit unions have a September year-end and so the auditors are very busy with a large number of clients being processed at the same time. We felt that moving to March would smooth the auditors' workflow and mean that we get a more focussed service from them.
2. A September year-end means that the auditors need information and answers to queries on the accounts in the run up to Christmas, which coincides with our busiest time of year for new loans. A move to a March year-end means the office staff can concentrate on processing loan applications without having to deal with the audit issues at the same time.

The only downside to the change is that for this annual meeting we need to compare results for two different lengths of time, ie 12 month results for the year to 30th September 2022 and 18 month results for the period ended 31st March 2024. To best show the differences between the two sets of results, the 18-month period to March 2024 has been compared with the previous year's income and expenditure scaled up to an 18-month period.

The annual profit in 2022 was £41,693. Extending that to an 18 month period, we expected to see a profit this time of about £63,000. The actual surplus for the extended year to March 2024 was £108,976, so over 70% more than anticipated – an excellent result indeed.

The significant differences between this year's surplus and that for the previous twelve months were:

- £64k of additional loan interest – more loans issued to more members
- £41k additional income from bank interest earned (rise in interest rates and putting funds into 6 month notice deposit account to earn higher interest)
- £12k less income from Suffolk County Council: we have been working in partnership with the council for several years to provide banking services for vulnerable adults. This project is coming to an end during 2024, and in the 18 months to March 2024 the number of members on the scheme fell by about a third.
- £46k more expenditure on administration expenses
 - o Salaries were £17k higher
 - as the credit union has become profitable, the Board decided to award salary increases above inflation. For many years staff were paid under the market rates for their roles because we were not been able to afford more. Now we are in a position to improve this position.
 - we needed to backfill and cover a period of illness in the senior staff team
 - staff members each received a "cost of living squeeze" payment in late 2022

- Advertising costs £14k higher. Against this increase, we received grants of over £10k towards specific targeted-market projects.
- £9k additional IT costs. After being with the same software provider since the credit union was founded, it was decided to move to a new provider. The new banking platform was introduced towards the end of this accounting period, and the benefits are already being seen in the office with greater efficiency, quicker turnaround of loans processing, better services for members, better management information and general ease of use.
- £5.6k more rent – we had a rent review and the sum payable has increased. We may look to move to new premises in the future.
- £4k additional costs of life and loan insurance due to increased premiums by the insurer.

Shares, loans and Membership

Membership fell from 3,376 in 2022 to 3,016 on March 31st, 2024 and members' shares fell over the same period by £113,227 to £1,575,947. This reduction has been in part due to the end of the vulnerable adults scheme, as detailed above.

The loan book increased by £94,439 over the 18 months and the loan book now stands at £932,712. We lent £400k more than in 2022 to 1080 more members (scaled to 18 months), an increase of 57%. The average loan size has fallen from £547 to £480, and the average Starter loan has fallen from £427 to £423 suggesting members are taking more care to borrow only what they need.

At the end of March, 1,595 of the total membership of 3,016 had a loan with the credit union (53%), compared with 1,261 at the end of 2022 which was just 37%. This is an excellent result in a short time. Our capital to asset ratio currently stands at 13% and we are close to fully repaying two subordinated loans which have supported our capital position for many years.

Summary and dividend proposal

We have now seen two consecutive periods with significant surpluses which suggests a positive future for ELSCU. As noted above, we have used some of the surplus to invest in a new banking platform that will improve our efficiency, offer members better services and enable future development of the credit union. Bad debts during the last 18 months were £7k, less than half of the amount for the previous year; we are now monitoring closely the impact of changes to the Debt Relief Order regulations. We have absorbed many cost increases for business utilities, and we have ensured that our employees are fairly paid during the cost-of-living crisis.

As we have made a significant profit the board proposes to pay an increased dividend of 1.5% on shares held during the 18-month period, which will cost us £19,797. This is equivalent to a dividend of 1.0% on a 12-month period. Last year we paid 0.5% which cost £7,313. The Board believes it is right to share part of the surplus with members who have loyally supported the credit union for many years when we were not able to pay a dividend. However, we do not want to set a higher dividend rate as we want to be prudent and ensure we have sufficient reserves and funds to continue to invest in improving services and growing the business.

The Board are also proposing to pay 2.25% interest on Junior Savings accounts. The equivalent for a 12-month period would be 1.5%.

I want once again to publicly state my thanks to all the office staff, and particularly to Mark Rattle, our Finance Officer, whose knowledge and experience simplifies my role as the Treasurer. Your input and advice is always gratefully received. Thank you to you all.

Ruth Wailes
Director Treasurer



AUDITOR'S REPORT

The summary information presented within this annual report does not constitute the full financial statements of Eastern Savings and Loans credit union for the years ended 30th September 2022 and 31st March 2024 but represent extracts from them. These extracts do not provide as full an understanding of the the financial performance and position as the full financial statements, which are available on our website or by contacting the office.

The external auditors, Lindley Adams Limited, Chartered Accountants, has issued an unqualified audit opinion on the full financial statements for the years ended 31st September 2022 and 31st March 2024.

Their opinion on the full financial statements for the year ended 31st December issued on 01 August 2024 was as follows:

Opinion

In our opinion, the financial statements:

- Give a true and fair view of the state of the credit union's affairs as at 31st March 2024 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014 and the Credit Unions Act 1979.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the credit union's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of directors are described in the relevant sections of this report.

Other Information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in this regard.

The full report is available within the 2024 accounts in the governance section of the ESLCU website.

REVENUE ACCOUNT

	2024	2022
	£	£
Loan interest and similar receivable income	358,838	169,405
Interest payable	(7,066)	(3,319)
Net interest income	351,772	166,086
Fees and commissions receivable	65,646	40,799
Fees and commissions payable	(18,852)	(9,963)
Net fees and commissions receivable	46,794	30,836
Other income	93,303	62,309
Administrative expenses	(287,164)	(161,056)
Depreciation and amortisation	(4,377)	(3,026)
Other operating expenses	(74,530)	(37,847)
Impairment losses on loans to members	(7,102)	(14,309)
Surplus before taxation	118,696	42,993
Taxation	(9,720)	(1,300)
Surplus for the Financial Year	108,976	41,693

BALANCE SHEET

	2024	2022
Assets	£	£
Loans and advances to banks	1,394,990	1,475,212
Loans and advances to members	714,414	554,110
Tangible fixed assets	21,269	2,596
Prepayments and accrued income	22,424	12,318
Total assets	2,153,097	2,044,236
Liabilities		
Member accounts	1,575,947	1,689,174
Other payables	297,826	162,714
	1,873,773	1,851,888
General reserve	262,824	153,848
Deferred shares	3,500	3,500
Subordinated loan	13,000	35,000
Total liabilities and reserves	2,153,097	2,044,236

MLRO REPORT

This report covers the anti-money laundering activities of the Eastern Savings and Loan Credit Union (ESLCU) for the year 2022-2024, covering the period 1st October 2022 - 31st March 2024. 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 six quarterly MLRO reports submitted to the ESLCU Board at the end of each quarter during the extended year.

As MLRO I can confirm that MLP reports covering the 18 months October 2022 - September 2024 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.

Given its size, ESLCU is an unlikely target for money laundering activities. Nevertheless, vigilance continues to be required because the scale of money laundering remains significant and major financial institutions have been heavily fined for process failures in the recent past. We must operate therefore on the basis that money laundering is a live threat to the credit union.

One of the focus areas from an anti-money laundering point of view is the requirement of new members to provide proper identification. It is credit union policy that members who do not provide ID are not allowed to withdraw funds from their account. Over the eighteen months for 2022-2024, a total of 2,372 new members joined the credit union. Of these, around 9 % on average failed to provide ID within one month of joining. At the end of the year, a total of 5 members had not yet provided ID. Both metrics have fallen compared to the previous year. This is in part due to the improved communications the new IT system offers. In this context, it is important to point out that the credit union has a role in helping socially and financially excluded people to get access to credit union services so the team follows the regulator's guidance on accepting a wider range of documents than most other banking institutions would accept.

Other key anti-money laundering checks were as follows:

- Over the year, no suspicious activity was observed.
- Each month there were a few large transactions (£5,000 or more) but explanations were provided, and 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.

Les Abbie
MLRO

SUPERVISORY COMMITTEE REPORT

A credit union supervisory committee is responsible for ensuring that both the board of directors and management meet required financial reporting objectives and establish practices and procedures sufficient to safeguard members' assets. It does this by undertaking regular randomised checks of activity, and reviewing compliance with legislation, regulations, policies and procedures.

We are pleased to report that the committee has gained new members: Glen Chisholm joined the committee in March 2023, and Nika Watt joined the committee in May 2024. The committee met monthly from March 2023.

An Internal Audit function has been discharged by David Norman. He works to a programme reviewed and set by the committee in 2023 and reports to the regular committee meetings; Processes and checks were improved, which included:

- The granting and processing of loan applications.
- The processing of membership applications.
- The authorisation of and accounting for bank transfers to members.
- The operation of the Credit Control function.
- Audit checks in respect of money laundering.
- The verification of refused loans.
- Verification of the allocation of payroll contributions.
- Checks of transfers from shares to loans.
- Verification of AllPay receipts.
- Reviews of official, employee and related family accounts.
- Checks that Unsecured Loan limits have not been breached
- Reviewing all regulatory submissions and discussing trends regarding the quarterly and annual returns to the FCA/PRA.
- Reviewing the annual return to the Financial Ombudsman and discussing member complaints

No issues of concern were highlighted by David as part of his audits, his itemised checks have led to many interesting discussions at the committee meetings. Independent bank reconciliation was undertaken by Glen Chisholm and no issues of concern were found.

The Committee is pleased to report that the office team give every possible co-operation in answering questions. The introduction of the new IT system Caroma has been an intense period of learning new systems, and the committee see the office team responding well.

The Annual Meeting is asked to consider a rule change that reduces the separation of the board and the Supervisor roles, the Committee supports the proposed rule change.

Sally Chicken
Supervisory Chair

CHIEF EXECUTIVE'S REPORT

The credit union has taken a big step forward in the past 18 months with the replacement of our core banking platform. The change to the Caroma Credit Union system has provided the automation that improves customer service and gives us some future proofing of the next developments we will need to make. Members are now better informed about their accounts, can self-serve their own transfers and apply for a loan all through the new Members' Area.

Our new banking platform provides automated access to identity checks, credit reference information and electronically signed documents. All documents are now saved within the system reducing our use and storage of paper and enabling speedy retrieval. We continue to use the AccountScore Open Banking solution to ensure an individual assessment of each member's ability to afford loan repayments.

Direct communication with members using email and SMS is now managed for administrative messaging within Caroma and we use Brevo to manage marketing emails.

ESLCU met its obligations under the first year of operation of the Consumer Duty. This new regulation ensures financial service providers operate in the best interests of their customers.

It is now 18 months since we began operating in Essex. In line with experience elsewhere, we have opened accounts for 413 members and 309 of those accounts have subsequently closed. This leaves us a net 104 new members in the county, most of whom have loans.

Our credit union has been approached to discuss transfers of engagements by other credit unions during the past 18-months, however none of these have led to an active process of merger. We have found that there is little to be gained by our members from any merger to date.

We continue to work with partners and there have been some new projects over the past 18-months. These include:

- Solar / Green loans with Broadland District Council.
- Business start-up bursaries in Norfolk with MENTA.
- Anti-Poverty credit union awareness and financial wellbeing with Suffolk County Council.

These partnerships support our communities and generate income for ESLCU.

We are fortunate to have strong skills in the team, including the digital marketing skills provided by Becca Cotton and the Accountancy and General Management capabilities provided by Mark Rattle. These have enabled the team to respond to recent challenges and have helped the credit union succeed.

I would also 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 2022/24.

Chris Mole
Chief Executive

YEAR IN REVIEW BY THE NUMBERS



**3,255
Members**



**£932k on
loan**



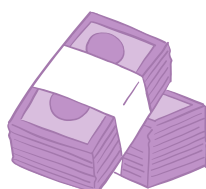
**£1.5m in
Deposits**



**12.9 %
Capital to
Asset Ratio**



**£584
Average Loan
Balance**



**£444
Average
Share Balance**

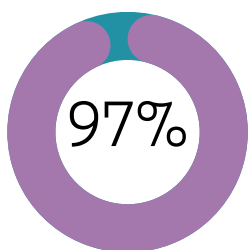


**49%
Members
with a loan**

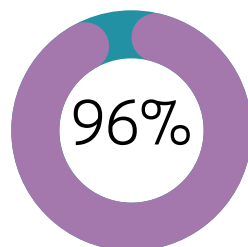


**57%
Liquidity**

WHAT MEMBERS THINK ABOUT OUR SERVICES



Found it simple and straightforward to apply for a loan.



Found it easy to contact us when they needed to.

WHAT ARE OUR MEMBERS BORROWING FOR?

Top 5 reasons for borrowing (by value).

Christmas



Furniture & Appliances



General Expenses



Household Improvements



Motoring



HOW TO STAY IN TOUCH

Website

Our website is designed to provide you with the necessary financial support and information. The Financial Wellbeing Portal is regularly updated to ensure that you have access to the most relevant and helpful resources. We have included a range of topics to support your cost of living, such as tips for reducing your weekly shopping expenses and guidance on creating and using a spending diary. In addition, we have expanded our network of trusted partners, with a focus on local connections.

On our website, you can also access our clear loan calculator sliders to evaluate the costs associated with our loans prior to submitting an application, and remember that there are no fees or charges for making extra repayments on any of our loans.

Our Members' Area

This financial year, we are excited to introduce the Members' Area on our website. In this convenient space, you can easily request withdrawals, apply for loans, and monitor the status of your loan applications—all in one location. Additionally, you'll find valuable information about our partners and receive important service alerts. For your convenience, you can also bookmark the Members' Area on your phone, allowing you to access your credit union anytime, anywhere.

Always accessible

We understand not everyone can or wants to use our online services. We are always happy to speak with you over the phone, to request withdrawals or offer support setting up the Members Area or any other queries you might have. Our phone lines continue to be open Monday - Friday, ensuring that if you need to speak to us we are there.

We will also continue to post forms and applications to those members who prefer to communicate with us this way.

Keep up-to-date on Social Media

Check out our Socials. From community updates to our most recent blog entries, as well as news about our products or valuable financial guidance from reputable sources, follow us on your preferred channel.



@ESLCreditUnion



@eslcreditunion



@Easternsavings
andloans



Eastern Savings & Loans



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