

EASTERN SAVINGS & LOANS CREDIT UNION

MINUTES OF THE NINETEENTH AGM

Wednesday, 18 September 2024, 6.30pm – online Zoom meeting

Present: 18 Members were present, Les Abbie acted as Chair.

Apologies: Apologies received from 7 members

1. Welcome by the Acting Chair, Les Abbie

2. Verification of Quorum - achieved

3. Minutes of Previous Meeting held on 16 March 2022, available on the ESL website, were approved as a fair record. (Proposed by CM, Seconded by SC.)
Carried; 17 for, 1 abstention.

4. Report of the Board of Directors

This report is unusual as an accounting change to the year end 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. Going forward, we will 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.

There were no questions from members.

5. Report of the Treasurer and consideration of Accounts

Ruth Wailes presented the draft accounts for the eighteen-month period ending on 31 March 2024. By way of background, RW explained that, since the credit union began, the financial year has ended on 30 September. However, after careful consideration, the Board took the decision to move the year-end to 31 March, mainly because a September year-end means that the auditors need information on the accounts in the run up to Christmas which is our busiest 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 30 September 2022 and 18-month results for the period ended 31 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 but the actual surplus for the extended year to March 2024 was £108,976, including £64k of additional loan interest and £41k additional income from bank Salaries were £17k higher. Against this, the Board decided to award salary increases above inflation since, for many years, staff were paid under the market rates for their roles because we were not able to afford more. Now we are in a position to improve this position.

Additionally, we have incurred £9k additional IT costs due to our move to a new improved banking platform, we have had a £5.6k rent increase and we may look to move to new premises in the future; and £4k additional costs of life and loan insurance due to increased premiums by the insurer.

Ruth thanked all the office staff, and particularly Mark in his role as Finance Officer.

The Treasurer proposed the acceptance of the Accounts and Report, seconded by MR.
Carried; 14 for, 2 against, 2 abstentions.

6. Report of the Auditor

The Treasurer presented the Auditor's Report and was pleased to note that the Auditor is happy that ESL's Accounts are compliant, with no concerns raised.

The Treasurer therefore proposed the acceptance of the Auditor's Report, seconded by SC.

Carried; 17 for, 1 against.

7. Appointment of Auditor for the coming year

We have used *Lindley Adams* for a number of years and it is considered good practice to change auditor from time to time. However, there is only a small pool of auditors with suitable experience and *Lindley Adams* is cost effective and convenient for us.

Accordingly, the Treasurer proposed the appointment of *Lindley Adams* again this year, seconded by MK.

- A question was raised as to how long Linley Adams has been our auditor. Ruth Wailes replied that it has been over 10 years. However, it is important to note that we deal with the auditors remotely so there is no danger of our relationship becoming too personal.

Carried; 17 for, 1 against.

8. Shares, loans and Membership

Membership fell from 3,376 in 2022 to 3,016 on 31 March 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.

9. Report of the Supervisory Committee

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.

Sally Chicken, Chair of the Supervisory Committee, was 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 including all regulatory submissions and discussing trends regarding the quarterly and annual returns to the FCA/PRA. No issues of concern have been 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.

10. Report of the Money Laundering Reporting Officer

Les Abbie confirmed that the MLP reports covering the 18 months 1 October 2022 – 31 March 2024 inclusive were submitted in a timely fashion by the ESLCU Finance Officer and these reports confirmed that all operational activities required to implement ESLCU anti-money laundering policies were implemented. Given its size, ESLCU is an unlikely target for money laundering activities but vigilance is 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.

A key anti-money laundering focus is the requirement of new members to provide proper ID. 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, due partly to the improved communications the new IT system offers. 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.

11. Report of the Chief Executive

Chris Mole was pleased to report that our investment in a new banking platform had made a positive impact for both staff and members.

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 and this is proving to be very positive.

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. CM also thanked the whole team at Austin Street and the Board of Directors for their individual and collective contributions to the performance of the business in 2022/24.

- A member asked if the security of the new banking platform had yet been tested, to which CM replied that we had not yet paid for an external test to be carried out.

12. Election of Directors

Three members are standing for re-election to the Board; namely Dominic Williams, Graham Evans and Les Abbie.

Since fewer re-nominations were received than there are places on the Board, no votes were required in terms of Rule 103 and the appointments of Dominic, Graham and Les were agreed; proposed by MR and seconded by RW.

Carried; 16 for, 2 against.

13. Election to the Supervisory Committee

Nika Watt was elected as a Supervisory Committee member; proposed by LA and seconded by MR.

Carried; 16 for, 2 against.

14. Proposal to pay a Dividend on Adult Accounts and to pay Interest on Junior Accounts

We have now seen two consecutive periods with significant surpluses which suggests a positive future for ESLCU. As noted, 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.

Carried; 16 for, 2 against.

The Board was also pleased to advise that it had approved payment of 2.25% interest on Junior Savings accounts. The equivalent for a 12- month being 1.5%.

15. Proposal to Amend the Rulebook

A rule change was proposed whereby the Supervisory Committee would be converted into an internal Audit Committee. This rule change is supported by ABCUL, the existing Supervisory Committee and the staff team. Having an external Supervisory Committee is historical and dates from when credit union Boards used to carry out the day-to-day functions of the credit union so that an external Supervisory Committee was an essential control. This proposed change primarily affects Rules 1 – 9, 130, 131 and consequential changes to later rules.

A further rule change was proposed regarding the expulsion of members; to transfer the responsibility for expulsion from the Board to the Senior Management Team.

These changes were proposed by CM and seconded by SC.
Carried; 16 for, 2 against.

16. Any Other Business:

None received in advance.

Les Abbie thanked all staff once again and all members for attending.

17. Proposal of Honorarium to the Treasurer

Les Abbie proposed an honorarium for the Treasurer of £600. This was seconded by BC.

Carried; 15 for, 1 abstention, 2 no votes.

Ruth Wailes declined to accept but noted that this should not set a precedent for future treasurers.

LA thanked Ruth for her decision.

There being no other business, the meeting closed at 7.10pm.