

# Annual Meeting



## AGM 2023

## Annual General Meeting

### Agenda:

Welcome by the Chairman	Graham Evans
Verification of Quorum and Apologies	
<b>Approval of the Minutes of the last Annual General Meeting</b>	
Report of the Board of Directors:	Graham Evans
Report of the Treasurer and consideration of the Accounts:	Ruth Wailes
<b>Proposal for the payment of Dividend (see below)</b>	
Report of the Auditor:	Ruth Wailes
Appointment of Auditors for the coming year:	Ruth Wailes
Report of the Supervisory Committee:	Chris Mole
Office Report:	Chris Mole
Election of Directors	
Election to the Supervisory Committee	
Any other business	
<b>Proposal of the Honorarium to the Treasurer</b>	

### Proposed Dividend:

The board proposes that a dividend of 0.50% is paid on average the balance of shares held by member across 2021/22.

(N.B. Interest will be paid on Junior accounts at 1.5%).

## 2021/2022 Board of Directors

The credit union board of directors are volunteers.

Graham Evans	<b>Chair</b>
Ruth Wailes	<b>Treasurer</b>
Julie Mansfield	<b>Secretary</b>
Mandy Errington (part)	
Les Abbie	
Sally Chicken	
Dominic Williams (part)	

### **Supervisory Committee**

vacant

### **Complaints Officer**

Julie Mansfield

### **Chief Executive**

Chris Mole

### **Office Team**

Mark Rattle

Tony Cooper-Squirrell

Sylvia Ellis

Michael Scott

Becca Cotton

Chris Day

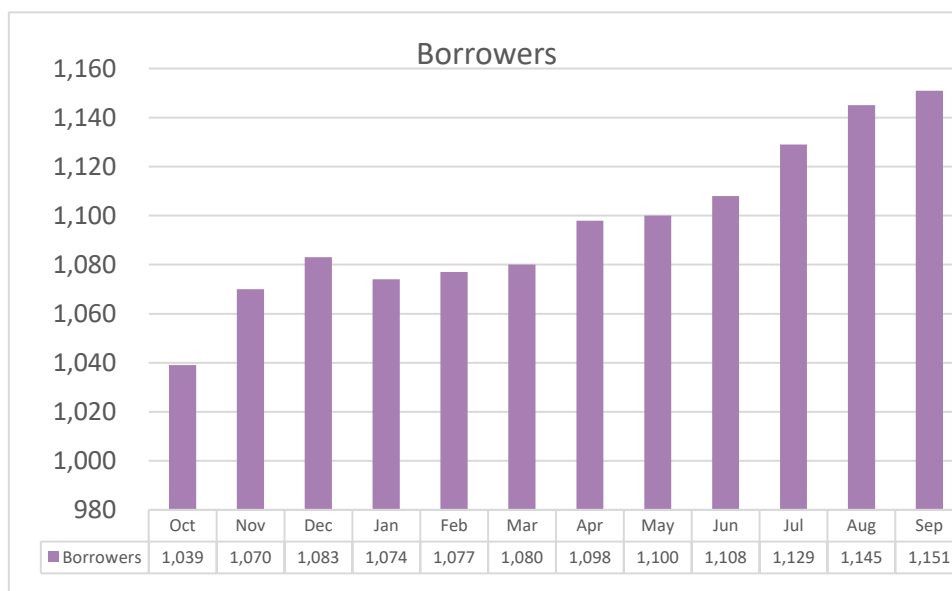
There will be an election for those directors whose term ends this year.

## Directors' Report

Although lockdown impacted trading at the start of the year, the effect of the Coronavirus pandemic receded, consumer confidence rallied, and we have seen pre-pandemic levels of business during the year. However, consumer sentiment remains fragile in the face of the Cost-of-Living crisis. The loan book reduced again as sales of new loans did not keep pace with repayments, but changes to our lending practices have sustained an increase in the daily interest earned, even on a smaller loan book.

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 in September to consider strategy.

Slightly more new members joined the credit union during the year and after we had closed further dormant accounts, we were left with a net increase of about 300 members and the number of active borrowers increased to 1,151.



Member deposits were maintained at around £1.7 million.

The number of loans issued during the year increased, but the value of loans issued decreased during the year. We have seen more members applying for top-up loans mostly for smaller amounts.

We maintained a significant spend for digital advertising as normal economic confidence returned and were able to judge when investment was right and when it was best constrained.

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. We did discuss merger with an Essex credit union which led to the membership approving the expansion of our common bond into that county. This extension was authorised by the Financial Conduct Authority in June.

The Board would like again to thank all our staff and volunteers for their hard work over the year to ensure the stability and progress of the credit union.

The recurring annual membership fee continues to make an important contribution to our income. Deposits support our lending, and 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.

Two new members joined the board as directors, and we welcome Mandy Etherington and Dominic Williams. We continue to seek new directors and a volunteer to fulfil the Chair Supervisory Committee role.

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.

## **The Board of Directors**

## Treasurer's Report

I am absolutely delighted to report that the draft year-end accounts show a profit for the year of £41,595 – this is £50k more than we predicted in the budget.

The major differences between the budget and actual results for the year are as follows:

- **£35k** of net receipts for services provided.
- **£7.6k** of receipts transferred from a suspense account. These are many small receipts received into the CU's bank account over the years, but which didn't have any reference which we could tie to a member.
- **£13.8k** less of bad debts than expected. Bad debts were £16.7k in YE2022 compared to £28.6k in YE2021.
- Engage fees **£4k** more income than was anticipated.

On the downside, interest from members' loans was £13.3k less than budget. But note that across the year, interest from members has increased by £9.5k compared to the previous year's results.

At first sight, it looks like we overspent on admin expenses by £2.7k – however, this includes £2.8k for Marketing expenses which were fully funded by third parties (for Cambridge and Essex), and so our total admin expenses are just £115 out from the budget. Staff wages were £3.9k under budget due to the reduction in admin hours.

## Members' shares and loans balances

We end the year with lower balances on both accounts.

Members' Shares have fallen by £56.7k to £1,689,174.

The loan book was down by £38.9k over the year, and the loan book now stands at £766.7k. However, we lent over £22k more this year than last, and over 240 more loans for the year – an increase of 24%. The average loan size has fallen from £653 to £547, and the average starter loan has fallen from £522 to £457. This could be because members are taking care to only borrow what they need.

Our capital/asset ratio currently stands at 9.4% with over 60% liquidity – this has fallen as we have placed over £500k on a 95-day account with the Cambridge and Counties Bank. We end the year in a healthy position and look forward to now increasing our number of members.

## Membership

This year 1,241 new adult members joined, but 1,043 lapsed, giving a net gain of 198, and the current adult membership stands at 3,266, of which 1,151 have loans ranging from £1.53 to £5,735.

Last year there were 1,039 new adult members and 1,213 lapsed, giving a net loss of 174, leaving 3,068 members; there were 1,031 members with loans.

This means we have grown the membership by nearly 6.5% this year, and the number of borrowers at the year-end is up by 11.6%.

## Summary

I feel positive about the future of ESLCU. There are challenges, given the national economic situation, and we will have to keep contact with members to do all we can to minimise bad debt. Also, our admin expenses are under pressure with price increases. We are at present in a fixed term electricity contract, but on the other hand, our rent has increased from £7,000 to £12,500 and this next year will be the first full year of the increase. Salaries will need to rise to reward and reflect the hard work our staff have put into the CU, as well as helping them through the cost-of-living increases.

Given that we have made a profit, the board proposes we pay a dividend of 0.5% which would cost us £7,313. Last year we paid 0.15% which cost £2,075. It is only right that we share part of the profits with the membership, many of whom have been long-term, loyal supporters of ESLCU for many years, with no return. Although we could pay a higher rate of dividend, given the uncertainties which we face in the next 12 months, I would prefer to hold the extra funds in reserves. This will put us in a good position for as and when we change our banking platform/accounts software as we agreed at the strategy day, which will enable us to grow the CU going forward.

As always, my thanks go to all the office staff, and particularly to Mark in his role as Finance Officer. His detailed knowledge of the Credit Union's systems and members has, for another year, made my job as treasurer very straightforward and enjoyable. Thank you all.

## Ruth Wailes

*Director Treasurer*

## Lending Report

Nearly all our loan applications are now received online, and applications are completed within one or two working days when we have all the information required.

The loan book reduced by 5% as the average loan size issued decreased.

Category	Value 2022	Value 2021	Number 2022	Number 2021	per cent 2022	per cent 2021
<b>Baby</b>	<b>£22,065.00</b>	£26,600.00	<b>59</b>	62	<b>3.2%</b>	4.0%
<b>Bills (Living Expenses)</b>	<b>£88,060.00</b>	£47,960.00	<b>206</b>	108	<b>12.9%</b>	7.3%
<b>Birthday</b>	<b>£15,350.00</b>	£4,975.00	<b>35</b>	14	<b>2.2%</b>	0.8%
<b>Business Development</b>	<b>£0.00</b>	£6,500.00	<b>0</b>	4	<b>0.0%</b>	1.0%
<b>Christmas</b>	<b>£114,495.00</b>	£97,786.00	<b>253</b>	202	<b>16.8%</b>	14.8%
<b>Debts Consolidation</b>	<b>£0.00</b>	£8,100.00	<b>0</b>	7	<b>0.0%</b>	1.2%
<b>Funeral</b>	<b>£6,500.00</b>	£9,850.00	<b>12</b>	9	<b>1.0%</b>	1.5%
<b>Furniture / Appliances</b>	<b>£113,602.54</b>	£104,980.00	<b>225</b>	198	<b>16.6%</b>	15.9%
<b>Greener Home</b>	<b>£24,915.00</b>	£16,971.00	<b>7</b>	5	<b>3.6%</b>	2.6%
<b>Holiday</b>	<b>£59,250.00</b>	£40,800.00	<b>84</b>	53	<b>8.7%</b>	6.2%
<b>Household Improvements</b>	<b>£98,789.32</b>	£131,908.47	<b>156</b>	163	<b>14.5%</b>	20.0%
<b>Legal Fees</b>	<b>£2,500.00</b>	£7,800.00	<b>4</b>	7	<b>0.4%</b>	1.2%
<b>Medical</b>	<b>£12,700.00</b>	£12,500.00	<b>17</b>	11	<b>1.9%</b>	1.9%
<b>Motoring</b>	<b>£61,440.00</b>	£91,062.89	<b>90</b>	101	<b>9.0%</b>	13.8%
<b>Moving Costs</b>	<b>£10,600.00</b>	£11,400.00	<b>19</b>	16	<b>1.6%</b>	1.7%
<b>Oil / Fuel</b>	<b>£2,550.00</b>	£400.00	<b>8</b>	1	<b>0.4%</b>	0.1%
<b>Rent Arrears</b>	<b>£1,750.00</b>	£2,000.00	<b>3</b>	3	<b>0.3%</b>	0.3%
<b>Rent Deposit</b>	<b>£15,292.24</b>	£19,448.62	<b>11</b>	20	<b>2.2%</b>	2.9%
<b>Study / Educational Assistance</b>	<b>£12,400.00</b>	£12,688.64	<b>14</b>	9	<b>1.8%</b>	1.9%
<b>Utilities</b>	<b>£5,910.00</b>	£0.00	<b>20</b>	0	<b>0.9%</b>	0.0%
<b>Vets</b>	<b>£3,650.00</b>	£2,700.00	<b>9</b>	6	<b>0.5%</b>	0.4%
<b>Wedding</b>	<b>£11,000.00</b>	£3,850.00	<b>11</b>	7	<b>1.6%</b>	0.6%
<b>Grand Total</b>	<b>£682,819.10</b>	<b>£660,280.62</b>	<b>1243</b>	<b>1006</b>	<b>100.0%</b>	<b>100.0%</b>



## Supervisory Committee Report

The credit union has not had a full Supervisory Committee during 2022.

An Internal Audit function has been discharged by Michael Scott. He has maintained a programme reviewed by the board in 2019; processes and checks were improved during 2022, 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.

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

No independent bank reconciliation was available during the year. The Treasurer undertook three bank reconciliations and found no issues of concern.

The board has discussed the unsatisfactory position that the credit union does not have a functioning Supervisory Committee. After the year-end a director has indicated her intention to seek election to the role of Supervisory Committee chair at this AGM and to actively recruit other members to support her in that role.

The board has also begun to consider a rule change that reduces the separation of the board and the Supervisor roles which are less necessary as our directors do not carry out operational activities. The intention would be that such a rule change would be brought to the 2024 AGM.

### Chris Mole

*CEO*

## Money Laundering Reporting Officer Report

This report covers the anti-money laundering activities of the Eastern Savings and Loan Credit Union (ESLCU) for the year 2020-2021, covering the period 1st October 2021 - 30th September 2022. 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.

As MLRO I can confirm that MLP reports covering the 12 months October 2021 - September 2022 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 year 2021-2022, a total of 1,233 new members joined the credit union. Of these, around 11 % on average failed to provide ID within one month of joining. At the end of the year, a total of 26 members had not yet provided ID. 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

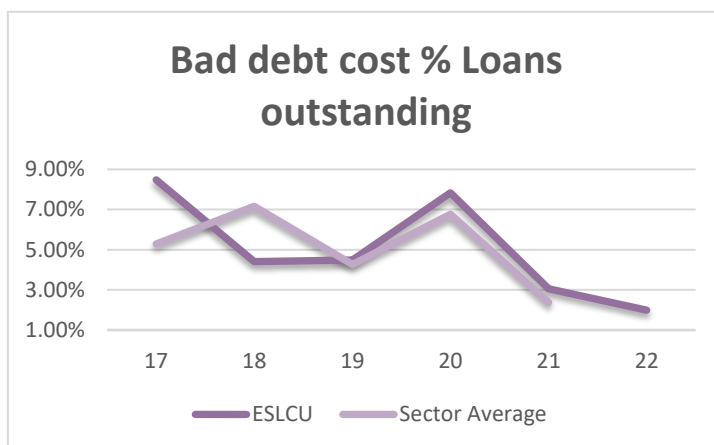
*MLRO*

## Chief Executive’s Report

This has been a year of consolidation for the credit union. We have looked closely at our digital operations and will need to change our technology to further automate our work processes and to enhance the member’s experience.

New and existing members can apply for membership and apply for loans online and issued loans can be sent by bank transfer. We have continued with electronically signed Loan Agreements using RMail technology and the AccountScore Open Banking solution has enabled members 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.

Our use of TransUnion to provide us with credit history information has been successful and the downward trend in the cost to the business of bad debt has continued. Making provision (setting funds aside) for bad debt is a major cost to the credit union and our performance is in line with other credit unions.



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 now have around 360 members with Engage Accounts. This has proven to be a very good solution for many members as the account includes 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 further growth of self-service with the volume and value of transfers made by the e-Web service continuing to grow.

We have begun to recruit members in Essex. Appendix 1 shows the location of new members who joined the credit union in the first two months of recruitment in the North and Central districts of Essex.

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.

We never forget our ethical purpose. Since we were founded, we have had nearly 17,000 members. Members have borrowed over £11 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.

We remain ambitious to achieve financial sustainability. The credit union has done well in the past year and hopes to see the economic climate improve further.

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 2021/22.

## **Chris Mole**

*Chief Executive*

## Appendix 1

### New members in Essex

