

EASTERN SAVINGS & LOANS CREDIT UNION
MINUTES OF THE NINETEENTH AGM

Wednesday, 15 March 2023, 6.30pm – 61 Austin St, Ipswich IP2 8DF + online Zoom meeting

Present: 25 members of the credit union were present.

Apologies: John Thackray

1. Welcome by the Chair, Graham Evans

2. Verification of Quorum

3. Minutes of Previous Meeting held on 16 March 2022 (available on the ESL website) were approved as a fair record. (proposed by Ruth Wailes, seconded by Les Abbie)

4. Report of the Board of Directors

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 welcomed Mandy Etherington and Dominic Williams. We continue to seek new directors.

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.

There were no questions from members.

5. Report of the Treasurer and consideration of Accounts

Ruth Wailes was delighted to report that the draft year-end accounts show a profit for the year of £41,595 – £50k more than predicted in the budget. The main drivers are that we have controlled our bad debt which has fallen by almost £14k and we have changed our lending policy so that we are now making smaller loans to more members. This is in line with our ethos.

Our admin expenses are very close to budget, our loan interest has increased and we are now getting a better rate of interest on our bank deposits. As we pay corporation tax on interest from bank deposits but not on loan interest, it would be good to see more of our available cash out on loan.

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

***Question from Dominic Williams:** Do you have a target % you would like to see out on loan?

Ruth Wailes replied that there is currently £800k out on loan and it would be good to raise it above £1M and on from there.

The Treasurer proposed the acceptance of the Accounts and Report, seconded by Dominic Williams. Report unanimously accepted.

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 Graham Evans and unanimously accepted.

7. Appointment of Auditor for the coming year

The auditor is *Lindley Adams* and it is considered good practice to change auditor from time to time. However, there are only a small pool of auditors with suitable experience and *Lindley Adams* are cost effective and convenient for us. Therefore, the Treasurer proposed the appointment of *Lindley Adams* again this year, seconded by Graham Evans and unanimously agreed.

8. 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.

9. Report of the Supervisory Committee

The credit union has not had a full Supervisory Committee during 2022. However, an Internal Audit function has been discharged by Michael Scott. 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. Accordingly, Sally Chicken has agreed to stand down as a director and seek election as chair of the Supervisory Committee to be joined by two other members to support her in that role.

10. Report of the Money Laundering Reporting Officer

Les Abbie confirmed 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.

11. Report of the Chief Executive – presented by Mark Rattle

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

Making provision 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 and have further improved our website to attract more traffic and to retain visitors. We now have around 360 members with Engage Accounts.

We have begun to recruit members in Essex, following our rule change. We have also seen an increase in the number of members in Peterborough and Norwich. We have 350 members who have an Exchange card.

The credit union employs a qualified accountant as its Finance Officer which strengthens our budgeting and financial control skills.

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.

The CEO thanked the team at Austin Street and the Board of Directors for their contributions to the performance of the business in 2021/22.

There were no questions from members.

12. Election of Directors

Sally Chicken stood down as a director immediately before this AGM in order to stand for election as Chair of the Supervisory Committee. Two existing Board members are standing for re-election, namely Julie Mansfield and Ruth Wailes. In addition, two members are standing for election to the Board for the first time; namely Robert Finch and Michael Kitching.

- Robert lives in Hadleigh and brings his experience of running his own business.
- Michael is CEO of *Headway Norfolk + Waveney* which supports people affected by brain injury.

Since fewer nominations and re-nominations were received than there are places on the Board, no votes were required in terms of Rule 103 and the appointments of Julie, Ruth, Robert and Michael were unanimously agreed.

13. Election to the Supervisory Committee

- Sally Chicken, outgoing director, was duly elected to the role of Chair of the Supervisory Committee, with no objections.
- Glen Chisholm was elected as Supervisory Committee member, with no objections. Glen is a former Ipswich Borough Councillor and support worker with homeless people.

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

Given that we made a good profit in the financial year, the board proposed a dividend of 0.5% which would cost £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, the Treasurer proposed that we hold the extra funds in reserves. This will put us in a good position as and when we change our banking platform/accounts software as planned, which will enable us to grow the CU going forward. Accordingly,

- a. Ruth Wailes proposed that a dividend of 0.5% be paid to adult members calculated on the average balance of shares held by a member across 2021/22, seconded by Steve Chicken.
Carried with one abstention.
- b. The Board advised that at its October Board meeting, it was pleased to approve payment of 1.5% interest on junior shareholdings for the Financial Year 2022.

15. Any Other Business:

None received in advance.

Graham Evans thanked all staff once again and all members for attending.

16. Proposal of Honorarium to the Treasurer

Graham Evans proposed an honorarium for the Treasurer of £550 (being the same amount proposed for the previous five years). This was seconded by Dominic Williams. Ruth Wailes declined to accept but noted that this should not set a precedent for future treasurers.

GE thanked Ruth for her decision.

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