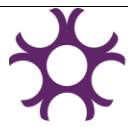




Derbyshire Community Bank
where **local** really counts

17th
Annual General Meeting
20th March 2023



Derbyshire Community Bank
where **local** really counts

(Trading name for Erewash Credit Union)

Notice of the 17th Annual General Meeting

To be held:
Monday 20th March 2022
12.30pm to 1.30pm

Virtually – via Zoom, a zoom link will be sent to each member who advises us of their intention to attend the AGM prior to 11.30am on Monday 20th March; please email info@dcbank.org.uk giving us your name and address or membership number.

Agenda

- Welcome & Introductions
- Apologies
- Minutes of 2022 AGM
- Chair's report
- Supervisory Committee report
- Treasurer's report
- Receive audited accounts to September 2022
- Resolutions (see below)
- Any other business

Minutes of last year's meeting:

DERBYSHIRE COMMUNITY BANK VIRTUAL AGM Monday, 14th March 2022 2.30 pm	
AGENDA ITEM	RESOLUTIONS/ACTIONS
Attendees See attendance register	
Housekeeping Jackie Littlewood from ABCUL provided housekeeping information and guidance on how to utilise the voting functions during today's AGM.	
1] Welcome & Introductions by Mick Brown, Chair of the Board	
2] Minutes of 2020 AGM VOTE – do you accept that the minutes of the last AGM are a true record.	Accepted as a true record Majority of members present voted, and of those 69% agreed minutes were a true record, 31% abstained due to not being present at the last AGM
3] Chairs Report for the financial year ending 30th September 2021 Presented in line with submitted papers. No questions raised	
4] Supervisory Committee Report Presented in line with submitted papers. No questions raised.	
5] Treasurer's Report Presented in line with submitted papers. No questions raised.	
6] Receive the annual audited accounts Presented in line with submitted papers. No questions raised.	
7] Polls VOTE – do you accept the Board's recommendation to pay a 0.25% dividend? VOTE – do you accept the Board's recommendation to re-elect Alexander Sloan as auditors for financial year	Resolution agreed – Unanimous Yes vote Resolution agreed – Unanimous Yes vote

<p>2021/2022?</p> <p>VOTE – do you accept the Board’s recommendation to elect the co-opted Directors to the Board, and Supervisory Committee en-bloc?</p> <p>VOTE – do you accept the Board’s recommendation to re-elect the remaining Directs to the Board en-bloc?</p> <p>For the full results see the poll report.</p>	<p>Resolution agreed – Unanimous Yes vote</p> <p>Resolution agreed – Majority Yes vote</p>
<p>8] Any Other Business</p> <p>VOTE – Are you interested in more information about becoming:</p> <ul style="list-style-type: none"> a. A Supervisory Committee Member b. A Board Member c. A Volunteer d. None of the above <p>Questions: See Question Report</p>	<p>Majority of members voted with some interest shown in both Supervisory Committee and Volunteering.</p>
<p>Meeting Closed at 3.17pm</p>	

2021/22 Financial Year - Report from the Chair

As Chair of the Board of Directors, I am pleased to present my report covering the financial year from 1 October 2021 to 30 September 2022. Where appropriate I have added commentary on developments that have taken place since 30 September to ensure members are fully up to date.

I start by putting on record my thanks to my predecessor as Chair, Mick Brown – who stands down from the board at the end of this AGM. Mick joined the board more than 12 years ago, and served as Chair for a remarkable nine years – during which time he has steered the credit union through a successful merger with MoneySpider, has overseen no fewer than four chief executives and five changes of premises and leaves us in a much stronger position than when he first became Chair. All of his board colleagues, and all of us as members, owe Mick our very deepest thanks for the commitment and energy he has brought to Derbyshire Community Bank and we give him our best wishes for the future.

The year in brief

For the first time since the pandemic, the financial year was not impacted by Covid, and we were able to settle into our new offices at 'CUBO', Victoria Street where we moved on December 1st – members are always very welcome to pop in and say hi if you are in the centre of Derby. Most staff are working from the offices for most of their time, although we continue to support hybrid working where that makes sense – and all but one of our board meetings were able to take place in person. We also had a much more stable staffing structure than the previous year.

For our members, the impact of the war in Ukraine – with the consequent steep increase in costs for electricity and gas, and then the big increase in inflation which we have all experienced – has been front of mind for the board and for our staff; we have endeavoured to support our borrowing members wherever possible – whilst having regard to our regulatory duties to ensure that borrowers are not over-extending themselves.

Staffing Implications

We reported last year on the appointment of Claire Hale as our new CEO with effect from 1st October 2021, and Claire is now well settled into her role. We appointed Beth Belding as our business services manager who joined us at the beginning of May, and there has been a largely stable position amongst the rest of our staff – although we were able to find the resources (aided by some grant funding from our trade body, ABCUL) to add a part time marketing role to the team in July. Now that we are fully staffed, we have seen a significant improvement in our ability to keep on top of arrears while supporting new lending and deposits from our members. I am very grateful to Claire and to all her team who do such a great job for all our members.

Membership

Membership continues to grow, with membership increasing by more than 11% in the year – the City of Derby continues to be the source of most of that growth, and it is perhaps disappointing that numbers are showing a small decline in our original area of Ilkeston.

As remarked earlier, we are now fully staffed – but it seems that our members increasingly favour interacting with us via our app or our website; with very few members coming in to our offices in the centre of Derby, and relatively few using ‘snail mail’ to communicate with us. That helps us with efficiency, but it does mean that we lose some of the ‘word of mouth’ recommendations that were part of the original credit union movement. The board is keen that we should find ways to re-connect with our communities – not least because we are worried that the focus on electronic communication with members may disenfranchise those who are not digital natives. We therefore want to re-launch our volunteering activities, with the idea that volunteers would take turns to provide a ‘physical presence’ at a local community centre or similar – we will be in touch with all our members about this new initiative later in the year.

As already noted, we now have a part-time marketing resource in the team, and that is enabling us to ensure that our social media presence is more active, and that our website is the best tool for our members that we can make it. It is also enabling our CEO to free up more time to pick up old contacts or start new contacts at partner organisations across the county – including the County Council, local Housing Associations, local businesses and local schools. While these relationships will all take time and effort to result in a growth in members and an increase in activity, the board is optimistic that we can now look to grow beyond our pre-pandemic ambitions.

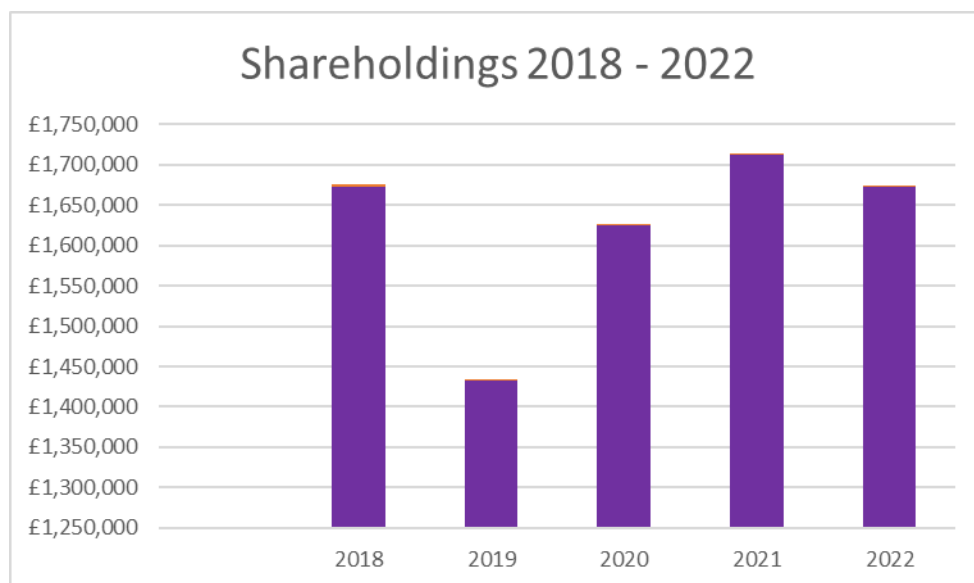
Membership Figures

	2019	2020	2021	2022	+/-	% Change 18/19	% Change 19/20	% Change 20/21	% Change 21/22
Ilkeston	1125	1068	1028	1024	-	-7.0	-5.1	-3.75	-0.38
Amber Valley	789	715	788	848	+	-5.2	-9.4	+10.2	+7.6
Long Eaton	553	528	525	537	-	-7.2	-4.5	-0.6	+2.3
Derby	520	611	855	1126	+	+31.3	+17.5	+39.9	+31.6
South Derbyshire	0	196	181	244	-	0	+100	-7.7	+34.8
Total	2,987	3,118	3,377	3,779		-1.5%	+4.4%	+8.3%	+11.9
Corporate	-	34	35	29	+	-	-	+2.85%	-17
Junior	-	185	105	100	-	-	-	-43.2%	-4.7

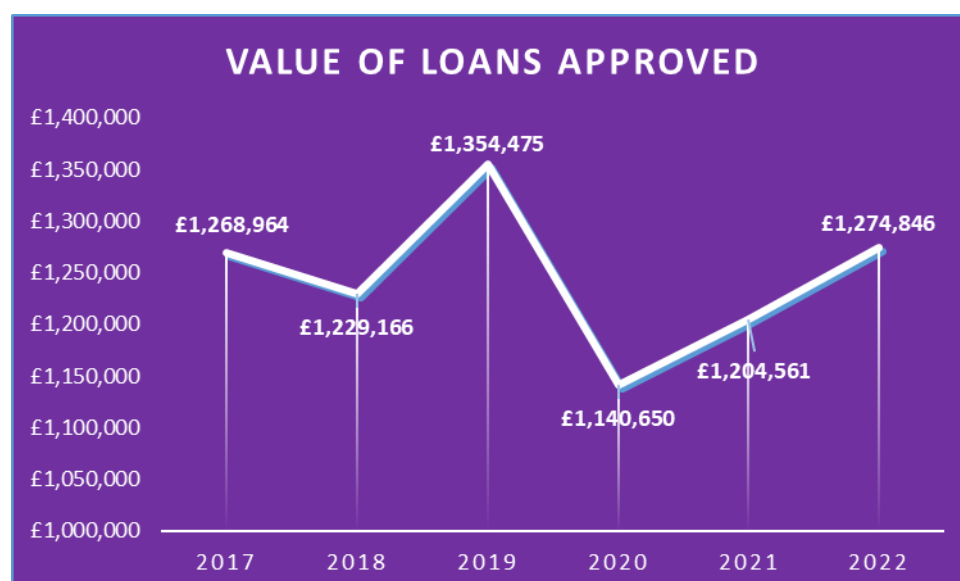
Shareholding

As can be seen from the table below, our total shareholding (effectively our deposits from our members, which fund our lending activities) reduced markedly in 2018-19 due to the decision we took in April 2019 to reduce our ISA's interest rate to 0.75% and keep ISAs closed to new applications. From 1st October 2020, shareholding increased as a result of the Moneyspider merger, and this upward movement in membership deposits has continued well into the current year. However, the later months of the 2022 financial year saw some withdrawals by members – we suspect due to the cost-of-living challenges being experienced by many members.

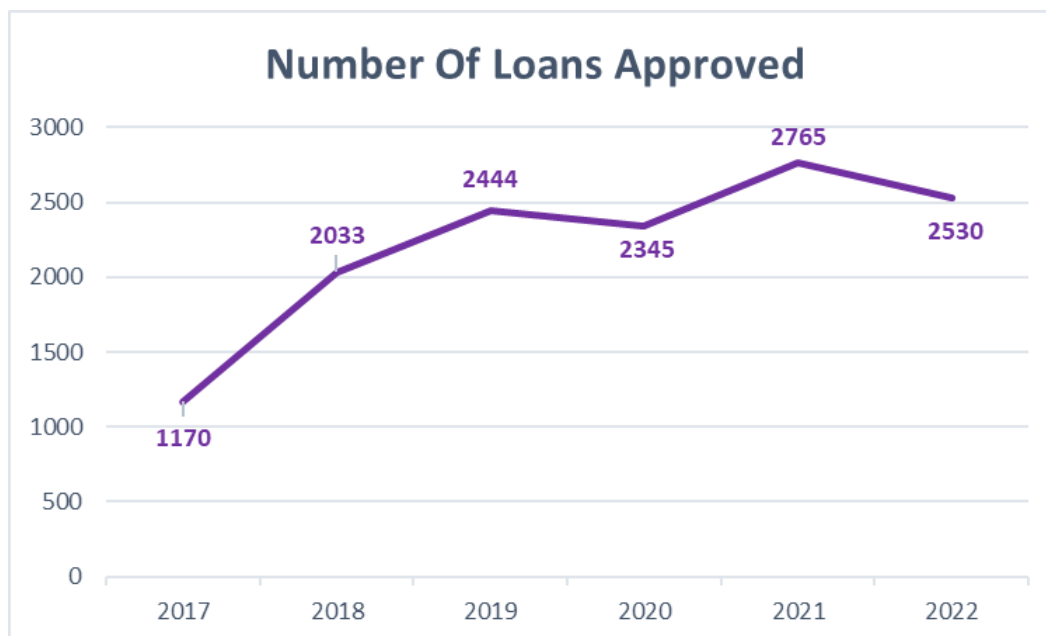
Shareholding as at 30th September 2022



Total Lending



As discussed above, we saw further good growth in new lending during the year – which has largely continued into the new financial year. Interestingly, this increase in activity as measured in £ has been achieved from fewer loans – while we have no clear explanation as to why the average loan amount granted is increasing (from £435 to £503, we will keep this under review in the coming year.



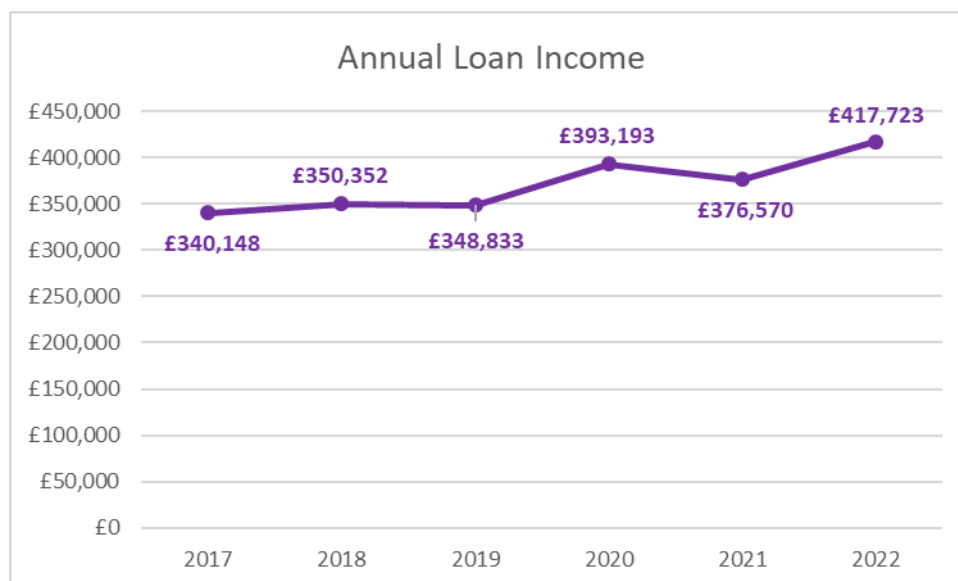
Average Loan Size



Loan Income

My predecessor commented in last year's report that loan income is always a 'lag' compared to lending activity in the year – with increases in lending taking a while to flow through into the income statement. That showed in this year's results, with loan income at its highest for a long while at £417,723. We suspect that lending activity and loan income may face a decline in the current

year, as the cost of living crisis continues to impact our members – while the demand for new loans may well rise, we are likely to see an increase in the number of loans we are forced to decline, due to problems with the potential affordability for the member concerned.

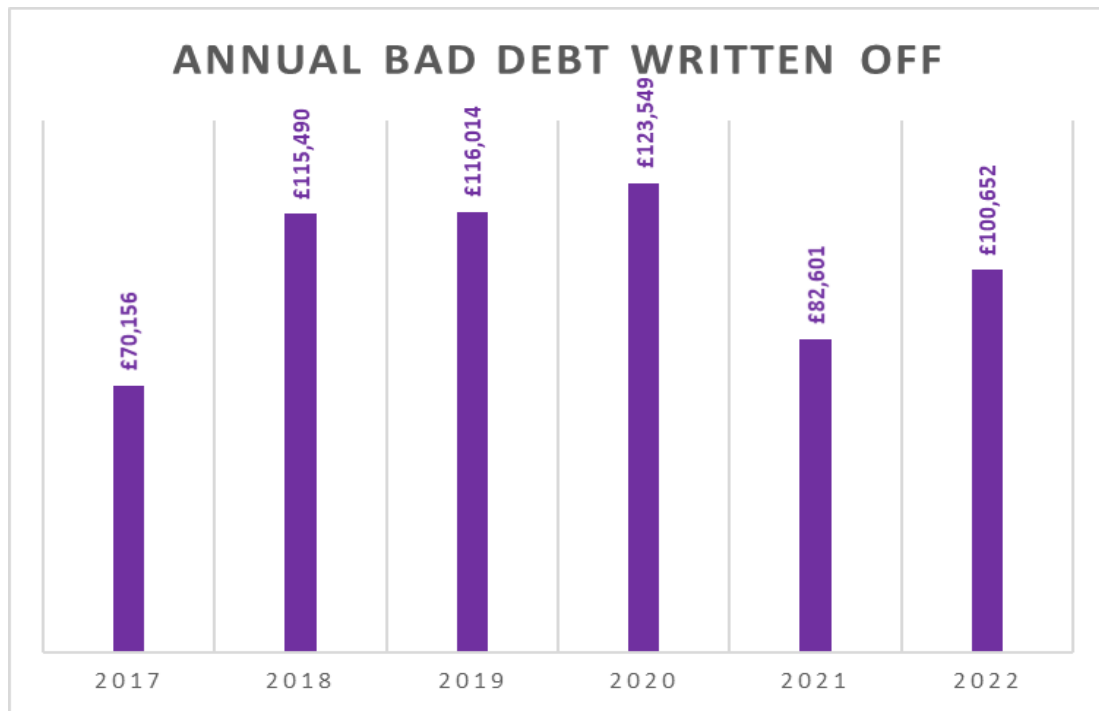


Bad Debt Written Off

Arrears on loans continue to be an issue and seems to reflect the economic climate, which continues to report increasing personal debt issues including higher levels of bankruptcy and other types of debt arrangements. As I have indicated in previous years reports, the severe problems associated with loan arrears and bad debts are by no means unique to ourselves - they are being experienced across the credit union movement.

Not surprisingly, the increased lending activity in the last two years has also had an impact on our arrears – and the total charge for bad and doubtful debts increased to £122,671. However, the return to full staffing in the office meant that there was greater resource to allocate to chasing arrears, and this led to a significantly stronger position on bad debt recovery, with recoveries of nearly £42,000 compared to £21,000 last year.

We continue to take steps to mitigate and reduce debt delinquency (as well as ensuring that we make a robust assessment of the affordability of a loan at the time it is requested – which includes an assessment of the potential vulnerability to further increases in gas and electricity prices and other inflation) – but as a credit union it is important that we are there for our members, and therefore we should not expect the level of loan losses to decrease significantly even in better economic times.



Financial Strategy and Performance

Our financial performance over the last five years is shown below:

Year	Forecast	Outturn	Variance
2017/18	-£37,561	-£66,590	-£29,029
2018/19	-£19,629	-£236	+£19,393
2019/20	£3,127	£69,560	+£66,433
2020/21	£2,843	£12,387	+£9,544
2021/22	-£20,127	£52,198	+£72,370
Totals:	-£71,347	£67,319	£138,711

We were pleased with the financial outturn for 2021/22 – having budgeted for a small deficit, we ended the year with a respectable surplus. That was helped by having none of the one-off items that impacted us last year (particularly the costs of exiting our previous offices at Cornmarket), and the improvement in bad debt costs (net of recoveries) referred to earlier. The board is hopeful that Derbyshire Community Bank has returned to a position where we might reasonably forecast modest surpluses. The board approved a budget for the current year showing a surplus of some £20,000 – and we are currently performing a little ahead of that after the first four months of the year. However, the full effects of the cost-of-living crisis have still to work through for our members, and therefore for us, so I will express a degree of caution about our ability to sustain that outperformance for the rest of the year. Taking into account the outturn for the year, and our reserves levels, the board is recommending **a 1% dividend for the year**. A resolution to approve that dividend is included later in the agenda.

Year End Reserves

Audited Reserves at the end of the financial year were £389,955 and remain strong, this includes the addition of £64,610 from this year's financial surplus.

This is before the cost of the recommended dividend, which we estimate will cost £13,929 if approved at today's meeting.

The board has carried out a detailed review of the level of our reserves and are satisfied that our current level of reserves is well above the level required by our regulators and also provides a sufficient contingency for unexpected outcomes.

Regulation

As a credit union, Derbyshire Community Bank is regulated by both the Financial Conduct Authority ('FCA') and the Prudential Regulation Authority (PRA) – both regulators have traditionally applied a 'light touch' to their regulation of the credit union sector, but with the number of credit unions who are failing (or being rescued by a 'merger' into a larger and stronger credit union) increasing, there are signs that the 'light touch' will be becoming firmer. There are proposals to allow certain credit unions a little more flexibility in the products and services they offer, but the 'price' for these greater commercial opportunities is a tougher regulatory mindset. Even though your board are not currently minded to take advantage of any of these new flexibilities, we still anticipate that we will face a more intrusive regulatory background in the coming years.

However, we believe that Derbyshire Community Bank remains well placed to serve our current members and to grow. As a board, we keep a close eye on certain key financial metrics that the PRA uses to assess credit unions – these are known for shorthand as 'CREDS' and we look at these ratios each month, discussing any trends or other issues of concern.

As the table below illustrates, the CRED ratios for DCB remain within the regulatory indicative limits with the exception of 'Net loans as % of total assets', where we are currently only lending 62.5% of our total assets to members – compared with a target ratio of between 70% and 80%. New lending since our year end has been strong, and we are now operating in the 'sweet spot' of our regulators, with all our CREDs ratios currently green,

Key Financial Ratios as at 30th September 2022

	Regulator's indicative ratio	Sept 2022	
1. Financial Performance			
A. Capital as % of total assets	10%*	19.37%	
B. CU's borrowing as % of total assets	<= 5%	nil	
C. Total shares as % of total assets	>= 70% & <=90%	81%	
D. Total bad debt written off (over 12 months) as % of total	<= 10%	4.01%	

loans (projected)			
E. Net assets as % of sum of total shares & juvenile deposits	$\geq 105\%$	124%	
F. Bad debt (more than 3 months in arrears) as % of total loans	$\leq 20\%$	13.6%	
G. Non-earning assets as % of total assets	$\leq 10\%$	0.51%	
H. Net zero cost funds as % of non-earning assets	$\geq 200\%$	4116%	
I. Loan income over 12 months as % of total loans	$\geq 6\%$	37.9%	
J. Net loans as % of total assets	$\geq 70\%$ & $\leq 80\%$	62.5%	

And finally...

I thank all our many supporters for their help and contribution during 2021/22. As outlined above we hope to further build upon this in the coming year, and to develop new, fruitful partnerships across our common bond area – with a potential population of those living or working in that area of over 1.2million people, and a membership of less than 4,000 we have a lot to aim at!

I want to convey my appreciation of the professional and dedicated approach taken by our Chief Executive Officer and her team, in continuing to develop and modernise the operations of the Credit Union.

Finally, I must express my sincere gratitude to my colleagues on the Board of Directors, who meet regularly to steer us in the right direction, and also, of course, to you - our members - without whom none of this would exist for the local community.

Simon Haslam
Chair
March 2022

Report from the Supervisory Committee

The Supervisory Committee is the way in which credit unions typically provide assurance to the board and to the members that internal controls and internal processes are operating satisfactorily – that assurance being supplementary to the comfort provided by the external audit. It can be thought of as what in other commercial organisations would be termed internal audit. Sadly, John Filsak, who was confirmed at the 2022 AGM as the sole member of the Supervisory Committee, concluded that he was unable to devote sufficient time to the role and tendered his resignation from the Committee in June. Since then, despite every effort, it has not proved possible to identify an individual/individuals to form a Supervisory Committee.

To provide sufficient assurance to the Board on the operation of internal processes in the absence of a Supervisory Committee, the board has agreed on a temporary basis to appoint an external professional accounting firm to carry out an agreed range of internal audit activities, and report on them to the board.

If any members are willing, and suitably qualified, to serve as a Supervisory Committee they are asked to make themselves known to the Chair or to the Chief Executive.

If it does not prove possible to deliver a functioning and effective Supervisory Committee in the coming months, the board will bring a formal recommendation to members to discontinue the Supervisory Committee and to move to a formal internal audit model (a route which has been taken by an increasing number of other credit unions).

Report from the Treasurer March 2023

Treasurer's Report

Since our financial plan was written in the summer of 2021, we have seen major economic changes. Base interest rates have risen, inflation is high, and everyone has been affected by cost of living increases. Despite this Derbyshire Community Bank were resilient and continued to serve its members. We continued to have a stable year in 2021/2022 and continued to increase our loan book whilst the savings book remained steady. I'm delighted that we achieved a surplus which has enable us to propose a dividend on savings.

Income/expenditure

Our income continues to exceed expenditure, we did receive one small grant but we are now completely self-sustaining and able to grow our income year on year. Loans grew by just under 4%, the interest earned on these loans enables us to pay our bills, build our capital and pay a dividend on savings.

After a change of CEO and the appointment of our Business Services Manager the staffing has been stable and have had the resources to tackle bad debt, this has enabled us to record a reduced provisions figure as the arrears begin to reduce.

Balance Sheet

We have seen members savings (shareholding) reduce slightly this year, possibly due to the rise in the cost of living, the loan book value has grown by just under 4%. Loan income has grown by over 10% which is very encouraging as last year it had reduced slightly.

	2021	2022	% difference
Total Assets	£2,094,610	£2,268,718	+8.31
Member's Shares	£1,711,897	1,671,553	-2.3
Total Loans to Members	£1,413,333	£1,468,921	+3.93
Interest on loans	£378,122	£417,724	+10.47
Surplus before Tax	£12,387	£65,392	+427.9
General Reserves	£325,345	£376,026	+15.58

Budget & Business Plan

The board review and monitor the business plan at the monthly board meetings. A budget is also set every year and is also monitored by the board every month, along with our projected budget for the year that was set in the summer of 2021.

Compliance (as at Sept 22)

The CU remains in a strong position moving forward maintaining in line with regulation a general reserve equal to/or greater than 10% of total assets.

In addition, our capital to asset ratio requirement of 10% is exceeded at 19.37% (which is again up on last year's figure of 12.35%).

Dividend

In light of the surplus highlighted in my report I endorse the recommendation of the board that a 1% dividend is paid this year.

Patricia Butler
March 2023

Audited Accounts for the Financial Year Ending 30th September 2022

EREWASH CREDIT UNION LIMITED TRADING AS DERBYSHIRE COMMUNITY BANK REVENUE ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER 2022

	Notes	2022 £	2021 £
Loan interest receivable and similar income	3	421,510	379,403
Interest payable and similar charges	4	(4,417)	(2,833)
Net interest receivable		417,093	376,570
Fees and commissions receivable	5	1,579	2,011
Fees and commissions payable	6	(2,858)	(2,068)
Net fees and commissions		(1,279)	(57)
Other operating income	7	3,918	9,561
Administrative expenses	8	(231,287)	(210,331)
Depreciation and amortisation		(1,470)	(4,331)
Other operating expenses	9	(36,952)	(79,883)
Impairment on loans for bad and doubtful debts	15	(84,631)	(82,601)
Release of negative goodwill		-	3,667
Surplus before taxation		65,392	12,595
Corporation tax	12	(782)	(208)
Surplus for the year		64,610	12,387

Resolutions

➤ Resolution on dividend to Members

The board recommend a dividend of 1% to be paid on all shares; members are invited to vote in favour or against this resolution

➤ Resolution on re-appointment of Auditors

- The board recommends the re-appointment of Alexander Sloan as external auditors to Derbyshire Community Bank, to serve until the end of the 2024 Annual General Meeting. Members are asked to vote in favour of the re-appointment of Alexander Sloan
- The members are asked to vote in favour of granting approval to the board to fix the remuneration of the auditors for the audit of the financial statements for the year ended 30 September 2023

➤ Resolutions on election of Directors & Supervisory Committee

Board members standing down:

Michael Brown (as of the end of this AGM)

Board members co-opted during the year:

None

Election of new Director

The board nominate Graham Bolton to serve as a Director from the conclusion of this AGM for an initial term of three years ending at the AGM in 2026. Graham has had a successful career in sales and marketing within the financial services industry (mainly in insurance), and has also pursued an academic career, currently holding part time lecturing positions for a number of US and UK Higher Education organisations. Graham holds a number of marketing qualifications

Supervisory Committee Standing Down during the year:

John Filsak (June 2022)

➤ Resolution on re-election of directors.

- The board nominates all the remaining board members to serve as Directors until the end of the 2024 AGM, namely

- Simon Haslam – Simon recently retired from a long career in financial services, firstly as an auditor (where he was a partner with Deloitte), and then at Fidelity International, the well-known fund management business where he held a number of senior positions. Simon is a qualified accountant.
- Adele Atkinson – Adele has worked within the Voluntary Sector for the last 17 years, with Amber Valley CVS. Since leaving school she has worked in many different industries from steel manufacturing to selling IT, with all of her roles being within finance, administration and human resources. Adele joined the Credit Union when it first came into the Amber Valley as part of the steering group, a role which led to Adele joining the board of Derbyshire Community Bank 10 years ago. Adele brings experience of recruiting and supporting volunteers as well as offering advice of human resources for paid staff
- Pat Butler - Pat was a founding member of Derbyshire Community Bank and was on the Steering Group that developed it around 2005, her role is that of the Treasurer. Pat works for Derby Homes as Leasehold Manager and Pat has held several roles there including Income Officer and Housing Officer. Pat started her working life working for the Co-operative Bank which gave her the knowledge and interest to volunteer for the Credit Union.
- Phillip Fee – Philip joined the board of Derbyshire Community Bank in 2010, his role as a director is to ensure that the Credit Union is run within the framework set by the financial authorities, that our members savings are secure and that we provide support to members when needed.

As a member of the board Phillip helps to set the strategy which enables the team to deliver outcomes which are beneficial for Derbyshire Community Bank and our members.

- Gordon Thomas – Gordon is a Labour councillor on Erewash Borough Council representing the Nottingham Road ward in Long Eaton, as well as being a governor at Chilwell School, before which he was Chair of governors at Grange Primary school, for eight years, and a governor at Dunkirk Primary School for two years.

Gordon is a trustee of the national charity The Peace Research and Education Trust and is currently a trainee psychotherapist, studying a part time MSc in Integrative Psychotherapy, at the Sherwood Institute in Nottingham.

Gordon has previously lived and worked in Ningbo, China and in Takasago, Japan before working at the University of Nottingham for 10 years in various administrative and management roles, specialising in Financial Support in Student Services.

- **Malcolm Wright** - Malcolm is a retired executive after 38 years with a leading UK brewing, pubs and spirit company. He held several director and senior management positions in finance, planning and operations including Finance Director of a major division and Managing Director of international retailing operations. He was part of the steering group that established Money Spider Credit Union Ltd and remained a director there until its merger into Derbyshire Community Bank. He is a qualified Associate Cost and Management Accountant.

Resolution on ability of the board to make co-options to the board or to the Supervisory Committee

The board recommend that members give the board the authority to co-opt up to two additional individuals to the board, if such individuals are identified by the board as being suitable and appropriately qualified and experienced. If the board make such appointments, the appointments shall terminate at the 2024 AGM, but any such individual shall be eligible to be elected to the board at the 2024 AGM. Any such appointments shall be in addition to the powers conferred by the rules which permit the Board to appoint individuals to the board to fill any casual vacancy which may arise during the year.

The board recommend that members give the board the authority to co-opt up to three individuals to serve on the Supervisory Committee, if such individuals are identified by the board as being suitable and appropriately qualified and experienced. If the board makes such co-options, the appointment of these individuals shall all terminate at the 2024 AGM, but these individuals shall be eligible to be elected to the Supervisory Committee at the 2024 AGM

Any Other Business

- **Use the voting tab if you would like to volunteer for further Involvement in Derbyshire Community Bank, or would like to find out more about what serving on the board or on the Supervisory Committee might involve**
- **Any Other Business**

Meeting Close