

**Annual General Meeting
16th March 2015**

Erewash Credit Union

Notice of the Ninth Annual General Meeting

To be held:
Monday 17th March 2014, 6.00pm to 7.00pm
The Arena Church, Rutland Street,
Ilkeston DE7 8DG

Agenda

- Welcome & Introductions
- Apologies
- Minutes of 2014 AGM
- Chair's report
- Treasurer's report
- Receive audited accounts to September 2014
- Resolutions on dividend to Members & re-appointment of Auditors
- Election of Directors & Supervisory Committee
- Any other business

EREWASH CREDIT UNION

AGM

MONDAY 17th March 2014 at 6pm

The Arena Church, Rutland St, Ilkeston, DE7 8DG

AGENDA ITEM	RESOLUTIONS/ACTIONS
<p>1) Welcome, Introductions & Apologies Welcome from Mick Brown, Chair of the Board.</p> <p>Introductions for the top table included Antony Humphreys (Auditor), Pat Butler (Treasurer), Sara Dinsdale (General Manager) and Adele Atkinson (Secretary).</p> <p>Apologies noted from: Marietta Farnsworth, Supervisory Member Melanie Hill, Children's Centre</p>	
<p>2] Minutes of 2013 AGM No recorded minutes. Notable points from last AGM was that Adele Atkinson (Director) and Marietta Farnsworth (Supervisory Committee) were both elected.</p>	
<p>3] Chairs Report for the financial year ending 30th September 2013 Presented in line with submitted papers.</p> <p>Q. What is the level of debt as a % of the loan book, and how does it compare to other CU's?</p> <p>A. Loan book is about one million, so about 8-9%. Comparable to other CU's although a little bit higher but not dangerously so.</p> <p>Q. Asked a question last year about move to internet banking?</p> <p>A. Recognise that if we are serious we need to have this type of interface. It was clear from recent ABCUL conference that the key message was around having the right technology.</p>	
<p>4] Treasurer's Report Presented in line with submitted papers.</p> <p>Q. No dividend – might as well not bothered investing?</p> <p>A. Unfortunately a sign of the times. Co-op announced recently to member no dividend.</p> <p>Q. Are you intending to move money from Development Reserve to General Reserve?</p> <p>A. Will look to see if we can how much we can or should be released to General Reserve.</p>	

<p>Q. That you might not invest all your savings in CU and never expected to get any Dividend. Did it to support CU. However feels £500 loans more relevant to Community than moving to larger loans. The £200-£300 types of loans are essential to them.</p> <p>A. Didn't intend to imply that those loans not valuable to us. No question of moving away from them but also need to expand and extend our loan products to provide a firmer foundation.</p> <p>Culture fostered by growth fund to lend indiscriminately. Decision by board to get to grips with our loans, recognise where we have problems and are attempting to address them.</p>	
<p>5] Receive the annual audited accounts Presented in line with submitted papers.</p> <p>PWH Accountancy experience of working with a number of CU's.</p> <p>Talked about the pressures for CU's but a will at National level to support CU's, however still difficult times ahead.</p> <p>Whilst bad debt is the main issue the balance sheet is positive with £1.5 million, a third of which is cash in the bank providing the ability to lend and if done responsibly should maintain a healthy growth in members and share capital. The Credit Union is in a strong healthy condition and whilst it needs work to address the bad debt it has positive reserves.</p>	
<p>6] Consider and, if approved, pass a resolution to appoint PWH Accountancy Ltd as auditors for next Financial year.</p>	<p>Resolution to appoint PWH Accountancy put forward by Steve Bean, seconded by Arthur Webb.</p>
<p>7] To elect and endorse in year co-opted Directors</p> <p>Co-opted Director - Stephen Delamore One vacancy available – no-one standing.</p>	<p>Stephen Delamore elected</p>
<p>8] To endorse in year co-opted members of the Supervisory Committee</p> <p>Co-opted Supervisory members elected: Steve Bean; Diane Webb; Arthur Webb</p>	<p>Steve Bean; Diane Webb; Arthur Webb elected.</p>
<p>9] AOB – None</p>	
<p>Meeting closed.</p>	

Report from the Chair to the 9th Annual General Meeting 16th March 2015

As Chair of the Board of Directors, I am pleased to present my report covering the Financial Year October 2013 to September 2014. Although this report is concerned with the previous financial year, there are some areas (in particular the Credit Union Expansion Programme) where important developments are continuing into the current year, and where that is the case, I have decided to bring members fully up-to-date rather than wait for next years report.

Performance

There remain many significant challenges, not just for Erewash Credit Union (ECU) but for Community-based Credit Unions specifically, and for all Credit Unions generally. As I pointed out last year, many Credit Unions were dependent upon DWP 'Growth Fund' money (as we were) towards the end of the last decade, and the end of these grants, coupled with the impact of the Governments austerity programme, led to high and growing levels of bad debts across the movement. For 2012-13 we had to write off £105,000 of bad debt (compared with £67,539 in 2011-12) and getting this under control therefore became a key priority for us in 2013-14. Having projected a figure of £120,000, the eventual out-turn was £110,000 and we are projected to reduce this to £80,000 in 2014-15.

Whilst we continue to work closely with our members to fully support their needs during difficult and challenging financial times, we also need members to play a key part in this partnership to meet their obligations when entering into loan agreements, and we have spent a considerable amount of time, both this year and last, in developing a robust system to ensure that we establish contact with members immediately any loan payments are not met. We want to help but need members to be prepared to discuss the position in an honest and open manner so we can agree a way forward. If the relationship does break down, and agreement cannot be reached then we will work with other support agencies and organisations to try and come to an acceptable solution. On the other hand, where members have not afforded us appropriate co-operation we have increasingly moved quickly to legal sanctions, with 8 County Court Judgements now in place, and 4 cases before the High Court Sheriff.

Reversing the trend of increasing bad debt is a key objective of the Credit Union Board and we are reviewing the whole lending policy to look at ways to improve this service to members.

Strategic Planning

On 18 August last year, the Board held a strategic planning 'awayday' at the AVCVS premises in Ripley.

We looked in great deal at the current state of play, bearing in mind trends nationally, in addition to spending some time examining the current and future skills requirements of Board members - an exercise which was facilitated by Lynn Alison, Chief executive of Amber valley CVS. As a result, we identified the following priorities:

1. BOARD MEMBERSHIP.

An examination of our 'Skills Matrix' indicated that, whilst there are no key areas where the Board has a complete lack of expertise, there are potentially three areas where we could usefully look to recruit additional Board members with specific expertise/experience:

- Knowledge of the City of Derby and Derbyshire Dales
- HR experience /Volunteer management
- Influencing Public Policy

We are following up on this informally with our partners, but would welcome an expression of interest from any current member.

2. ENGAGING WITH THE CREDIT UNION EXPANSION PROGRAMME (CUEP).

In 2012, Government announced the provision of £35 millions for Credit Unions (CU's), to support the modernisation of the sector over the next three years. Bids were invited for a proposal to implement a strategy for CU's that would enable their sustainability and growth into the future - this was against a backdrop of fragile stability for CU's that had, in the preceding years, been recipients of significant grant funding from DWP to underpin their lending. The proposal would have to demonstrate ways in which: growth of CU membership would be achieved (particularly for types of lenders currently under-represented); profitability of increased membership could be secured (via larger loans) and governance could be improved (ie become more professional).

The contract was won by the CU trade body ABCUL (Association of British Credit Unions Ltd) in March 2013, and would be delivered via its 'arms length' organisation, 'Cornerstone'.

The project design has, over the last 18 months or so, undergone significant modification as the implications of such a significant undertaking have become clearer, and the emphasis has now shifted to ensuring that sufficient numbers of CU's are in a fit state to embrace future growth. The essential elements have become:

- An ability to commit to a new IT platform that will support modern requirements for access via portable devices (smart phone, tablet).
- A need to achieve significant operational economies through automated processing (too many of our operations currently rely on manual entry).
- Governance and management systems that operate in a 'business-like' fashion and are able to comply fully with the developing regulatory regime.

For the funds to be made available, DWP required a number of CU's to commit to the CUEP by the end of January 2015. We considered the matter in some detail at our Board Meeting of 19th January, and agreed unanimously to commit to the programme.

This will involve us in some significant additional costs over the next 3-5 years, but the alternative, which meant basically attempting to continue with outdated manual systems, with little hope of generating the returns needed to update our operations, was not considered by the Board to be a practical way forward.

We will report on progress at future meetings.

3. GEOGRAPHICAL EXPANSION.

Our geographical expansion has been driven by two factors:

- The need to grow to ensure financial viability.
- The needs expressed by our Local Authority partners for us to widen our geographical reach.

In respect of the second of these, we have received considerable encouragement from Derbyshire County Council (DCC) to extend our operations into the Derbyshire Dales (principally Matlock and Ashbourne) and they have funded an important development initiative which will see the establishment of advice centres where trained volunteers will promote our services. Similarly, Derby City Council (DC) have encouraged us to increase our visibility in the City and have provided us with grant funding and a base in the Council House, from which we are recruiting members against specific projects.

4. NEW PRODUCTS AND SERVICES.

The most successful Credit Unions are those that have close links with an employer, whereby members loan repayments can be deducted via the payroll. This is an area we have been investigating for some time, and we launched the 'Payroll Deductions Scheme' with DCC right at the end of the financial year. In addition, we are in discussions with Derbyshire Community Health Care about a similar scheme, and have agreed 'in principle' a scheme for Unite/Unison employees with Derby City Council. The benefits for the Credit Union are obvious, given the difficulties we frequently experience in securing regular repayment on some of our smaller 'community' loans. I will report in more detail on this in a year's time.

Finally, we successfully implemented our 'online banking' service in 2014, and the take-up has been extremely encouraging. There are clear benefits for both members and the CU administration, but we are a long way from having a fully automated system - that will have to wait for the new IT platform mentioned above.

Our Partners

Our ability to maintain our operations in 2014 would have been seriously restricted without the help of a number of partners, in particular: Derbyshire County Council, Derby City Council, Financial Inclusion Derbyshire, Amber Valley Borough Council, EMH Homes (formerly Three Valleys Housing) the Voluntary Action teams in Erewash, Direct Help and Action (formerly Derbyshire Housing Aid), Step Change (Debt), Advice Derbyshire, and the Children's Centres.

In addition, I would like to make special mention of Amber Valley CVS who have been extremely generous in allowing us the use of their premises, and providing general support over a range of areas, particularly in respect of employment matters, and the Erewash Partnership, whose provision of premises in Ilkeston, often at very short notice, has been invaluable to us over the years. Their move to Long Eaton has meant that we have had to re-locate our Board Meetings to AVCVS, but we look to maintain our close relationship with the Partnership and wish them well in their new home.

Finally, I need to make mention of the Co-op, who, despite having a number of difficult issues to deal with, have been extremely supportive to us in enabling us to remain in their buildings on South Street Ilkeston. I noted in last year's report that: "uncertainties still remain over the eventual fate of the building" and those

uncertainties were removed when, at the end of February 2015, we were informed that we would need to be out of the building by the end of June (although we are, at the time of writing, seeking to have a discussion with the developer).

Obviously, this has caused a deal of additional work in looking to secure new premises, especially in the light of our extension into the new markets mentioned above. It raises questions about **where** we would ideally like to locate, and **what type of premises** we are looking for given our move away from cash-based operations highlighted in last years report.

People

In last years report I had a great deal to say about changes of personnel, in respect of both the Board and the Management. I am happy to say that this year, there are no such changes to report, although we are, as mentioned above, still seeking some additional skills on our Board.

Also in last years report, I paid tribute to the work undertaken by Marietta Farnsworth in establishing a truly professional approach to our Supervisory Committee. We have been extremely fortunate in the recruitment of Steve Bean, and Arthur and Diane Webb to help move forward this very important function within our Governance, which performs an essential auditing function independent of the Board.

Geographical Reach

Our total active membership currently stands at 3,325, a slight increase on the previous years figure, but this is misleading, since we are now actively managing dormant accounts in a way that didn't happen in the past. As a consequence, it is certainly the case that reported figures from previous years have been over stated. The geographical distribution is as follows:

Ilkeston	1256
Amber Valley	916
Long Eaton	691
Derby City	113
Out-of-Area	107
Derbyshire Dales	28

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I have noted earlier the extension of our operations into the Derbyshire Dales and Derby City, and it can be seen that in relation to Derby, this extension is coming through in the numbers. I anticipate that over the next 12 months, we will see significant increases in both this and the Derbyshire dales figures.

Ilkeston represents our biggest market by some margin, but it is clear that there is considerable scope for increased membership in Long Eaton - a town that has the same population as Ilkeston but has a CU membership only 55% of the Ilkeston figure. In fact, as a proportion of our total membership, Long Eaton has fallen from 20% to 30%, and we will be undertaking targeted activities increase our presence there.

Over the year, we have scaled down our cash operations in line with our declared strategic priorities. Ilkeston is by far our biggest over-the counter operation We currently offer cash facilities on only one day a week in Ripley and Alfreton (reduced

from two days in both locations due to uneconomic levels of demand for cash) and our Heanor operation was closed during the year for the same reason. In similar vein, cash operations at our Long Eaton base were reduced to two days per week, and will cease altogether from 1st April 2015.

Conclusions

The comments I made last year, about the world of the Credit Union movement becoming increasingly challenging and complex still apply. The struggle to secure profitability, along with the widespread problem of debt delinquency and the significant competition from other financial institutions such as 'payday' lenders is a familiar backdrop. Alongside all of this we have the understanding, explicit in the Government - funded 'Credit Union Expansion Project (CUEP) that we need to expand our lending beyond the small loans of £500 or less (that makes up nearly 80% of our lending, and has been clearly unprofitable) and into larger, longer-term loans, to a wider range of customers, including local small business. In addition, we are questioning whether we should actively seek to move away from our traditional reliance on unsecured personal loans.

From 1st April 2014, we increased our monthly interest rate to 3% (42.6% APR) and at the same time implemented a range of rates from this down to about 6.7% APR. This has allowed us to become more competitive and provides the flexibility to extend our range of products.

In January 2014 we stopped issuing ISA's to new customers. This was because the success of our ISA was causing the build up of cash balances that were unsustainable into the long run. This is still the position, but we are keeping it under review, and our ISA rate (currently 1.5%) will be determined following the AGM.

As you will note from the Treasurer's Report, we made a loss during the year of £22,369, which is a significant improvement over the £77,000 loss which we made last year, and is also substantially better than our budgeted outturn of a loss of £58,588. This improvement is due to our success in securing grant funding to support some of our new activities - in particular from Derbyshire County Council as detailed in our Treasurers Report. **This improvement in our trading positions means that the Board is able to recommend the payment of a dividend of 0.5% for the year.**

The year has continued to throw up challenges, but has been more settled in terms of personnel and premises than 2013. However, the decision of the Co-op to close its remaining operation, and dispose of the South Street premises in Ilkeston, means that we are in for some significant upheaval in the near future. This, combined with the Derby merger discussions, could mean that in 12 months time we will look rather different in terms of both the scope and location of our operations.

I would like to convey my appreciation of the professional and dedicated approach taken by our General Manager and her team, in continuing to develop and modernise the operations of the Credit Union, along with my sincere gratitude to my colleagues on the Board of Directors who meet monthly to steer us in the right direction, and also, of course, to our members, without whom none of this would exist for the local community.

Mick Brown
March 2015

Report from the Treasurer to the 9th Annual General Meeting 16th March 2015

It gives me pleasure to present my ninth report to you, the members of Erewash Credit Union (ECU). I give this presentation as the Credit Union continues to work with partners within the community and other organisations to strengthen our business and reach wider areas.

The Credit Union is now part of the Credit Union Expansion project and continues to work towards a united approach with many Credit Unions around the country. This project is still in its early stages and the ECU is yet to see benefits in many operational areas. Consultation is ongoing to decide on what are the best areas the project can benefit the ECU, however we hope to reduce our operating costs and grow our business over future years by being part of this .

I wish to guide you through the main points of the 2013/14 Accounts provided by our Auditors, PWH Accountancy Ltd. We are still working towards the Credit Union becoming self-sufficient where our income will cover employment costs, operating costs and loans written off. This year our income met 93% of our expenditure which was a huge improvement on the previous year when our income met only 76% of expenditure. I would add though that our income was boosted by several grants from various partners to fund ongoing projects which I will expand on towards the end of my report.

The main points highlighted by the accounts as at 30th September 2014 are;

	2014	2013	% difference
Total Net Assets	£1,716,414	£1,474,473	16.4
Member's Shares	£1,256,845	£980,853	28.14
Total Loans to Members	£900,227	£963,492	-6.6
Surplus before Tax	-£22,369	-£71,202	-68.6
General Reserve	£187,224	£149,072	25.6%

As the figures show, member's shares on deposit continue to increase through the year, not as sharply as last year however. This was due to a more realistic ISA interest rate being introduced. The Surplus is still a negative figure this year, indicating that we are still operating at a loss although 68% lower than the previous year. On page 6 of the accounts you will see the CU expenses totalled £365,292 and the income was £342,923 showing a loss of £22,369. The income and expenses are broken down into further detail on page 12 of the accounts. On this page you will see that a large expense for the CU was the sum of £110,428 for bad debt. This is still a concern for the CU and we continue to review our credit control and recovery processes to reduce bad debt and turn the loss to a profit in future years.

For the first time since I wrote these reports the total figure of loans to members dropped. A lot of this was due to ALD – Automated Lending Decisions which declined a higher percentage of loans to members than previous years. Although this drop gives us some cause for concern, we are confident in the knowledge that our loans are being offered more to those than can, and will repay their loans in full. The CU is continuing to explore ways of attracting new business to boost the loan book, as we aware that this is where most of our revenue is generated.

As mentioned earlier, ECU received several grants through successful partnerships and bidding, boosting income by £96,969 in the year. The details of these grants are;

£1,000 – Unity Trust towards communication and growth

£4,000 - Derby City Council towards ECU services in Derby

£96,500 capital and £19,300 revenue towards loans- Derbyshire County Council

£30,984 - Derbyshire County Council for funding to recruit a Development worker for expansion into Derbyshire Dales.

£44,188 - Derbyshire County Council for website development & online banking

£30,000 – East Midlands Collaboration towards set up of Credit Union Current Account.

We spent £164,935.91 of grant money during 2013/14 on various projects.

The CU remains in a strong position moving forward as it continues to hold £272,345 in the Development Reserve. Liquidity is good with £958,839 cash at hand and in the bank.

In light of my report I recommend that a dividend of 0.5% is paid to members.

Patricia Butler
16 March 2015

Audited Accounts