



**Derbyshire Community Bank**  
where **local** really counts

**10<sup>th</sup>**  
**Annual General Meeting**  
**16<sup>th</sup> March 2016**



**Derbyshire Community Bank**

where **local** really counts

**(Trading name for  
Erewash Credit Union)**

**Notice of the 10th  
Annual General Meeting**

To be held:

Wednesday 16<sup>th</sup> March 2016, 6.30pm to 7.30pm  
Derby Cathedral,  
DERBY

**Agenda**

- Welcome & Introductions
- Apologies
- Minutes of 2015 AGM
- Chair's report
- Treasurer's report
- Receive audited accounts to September 2015
- Resolutions on dividend to Members & re-appointment of Auditors
- Supervisory Committee report
- Election of Directors & Supervisory Committee
- Any other business

MINUTES of the EREWASH CREDIT UNION

**AGM**

MONDAY 16th March 2015 at 6pm

The Arena, Ilkeston

AGENDA ITEM	RESOLUTIONS/ACTIONS
<p><b>1) Welcome, Introductions &amp; Apologies</b> 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><b>Apologies noted from:</b> Anna Coombe Mandy Baker Anne Greeves Steve Bean, Supervisory Committee</p>	
<p><b>2] Minutes of 2014 AGM</b></p> <p>Minutes approved.</p>	
<p><b>3] Chairs Report for the financial year ending 30<sup>th</sup> September 2014</b></p> <p>The Chair presented his report in line with submitted papers picking out the key points from the year.</p>	
<p><b>4] Treasurer's Report</b></p> <p>The Treasurer presented her report in line with submitted papers.</p>	
<p><b>5] Receive the annual audited accounts</b> Presented in line with submitted papers.</p> <p>PWH Accountancy outlined the position of the Credit Union (CU).</p> <p>Page 7 of the audited accounts shows the financial health of the CU. CU in a much stronger position than last year.</p> <p>Large cash balance which is not good as it not generating any income.</p> <p>Bad debt – Automated Lending Decisions (ALD) is starting to have a positive effect on this.</p>	

<p>All CU's trying to modernise, if they don't they won't attract the membership that they need.</p> <p>Overall good but still lots of work to do.</p> <p><b>Questions from floor for all the panel</b></p> <p>Q. Member emphasized the difference the small loans make to people. A. Not advocating move away from small loans, but if only have small loans then we won't survive.</p> <p>Q. What's a small loan? A. Below £500 which is our average loan size.</p> <p>Q. Small loans like that, do you go out and do talks? A. Yes, we do talks at events, local community groups etc.</p> <p>Q. Thought the name Erewash CU restricted you to Erewash. A. No, anyone who lives or works in Derbyshire can join. In terms of our name if we continue to expand we need to look at our name.</p> <p>Q. What percentage of defaults on bigger loans? A. Unable to give the answer to that, but the majority of our loans are small so it is likely that the majority is on small loans. Impact greater though on larger loans if they default.</p>	
<p><b>6] Consider and, if approved, pass a resolution to appoint PWH Accountancy Ltd as auditors for next Financial year.</b></p>	<p>Resolution to appoint PWH Accountancy was agreed by the floor.</p>
<p><b>7] Consider and, if approved, pass a resolution to award 0.5% dividend</b></p>	<p>Resolution to award 0.5% was agreed by the floor.</p>
<p><b>8] To elect and endorse Board Directors</b></p> <p>Howard Forster &amp; Pat Butler both held the longest office and retire in accordance with our rules.</p> <p>No other nominations for election received.</p> <p>No election for Supervisory Committee members</p>	<p>Howard Forster re-elected Pat Butler re-elected</p>
<p><b>9] AOB</b></p> <p>None</p>	
<p><b>Meeting closed at 6.50 pm</b></p>	

## Report from the Chair

As Chair of the Board of Directors, I am pleased to present my report covering the financial year October 2014 to September 2015. Although this report is concerned with the previous financial year, there are some areas 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.

### Location

In last years Annual Report, I asked members to note the following:

*"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 went on to observe that:

*"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."*

It still feels strange that only a year ago, we were reporting a deadline of June 30th to be out of the Co-op premises, and were still uncertain as to whether we could negotiate a deal to stay. The outcome, following discussions with the developer at the Co-op, along with a number of other potential partners, was a new arrangement with DHA (Direct Help & Advice) which, by sharing their Bath Street premises, has enabled us to secure a continued, good quality cash facility in Ilkeston, and also to re-locate our main office to significantly improved premises within DHA's main office in Derby.

This move represented a significant upheaval for staff in addition to all of the telecommunications issues involved in office re-location. However, thanks to some excellent work by Sara and the rest of the staff, the move, which took place in June of last year went extremely smoothly.

Moving our head office to Derby was important because the existing Derby United credit union had just gone into liquidation, and this enabled us to ratchet up discussions we were already having with the City Council and others, about the development of credit union services within the city, specifically in respect of the impact of Universal Credit for City Council residents.

### A new name.

In constructing our financial strategy over the last two years, it had become evident that we needed to grow in order to secure sustainability in the longer term. We had noted that scope for further growth (particularly in the market for bigger loans) was restricted by our total concentration on the Erewash/Amber

Valley area, where the unit cost of our operations was relatively high given the geographically dispersed nature of those districts. We had already increased our 'common bond' to cover the whole of Derbyshire, and adding Derby City, with a population of 250,000, would effectively double our 'home' population.

It was clear however, that the label 'Erewash Credit Union' could be a significant handicap to our attempts to grow in Derby, quite apart from being inaccurate for our growing markets. Following a number of discussions within the Board, we eventually decided to re-name ourselves 'Derbyshire Community Bank' (DCB). This is our trading name - the registered name of the company is still 'Erewash Credit Union', as our business name legally has to maintain 'Credit Union' within it. Following an extensive consultation with our members and key partners, we formally launched the new name in October last year with a number of events, and a new logo, and it has been extremely well received - not just by the public, but also by partners such as Derbyshire County Council and Derby City Council.

### **Strategic Planning**

Our annual planning event was held on 21 September last year, in the Chapter Room of the Cathedral Centre, Derby.

The main purpose of the event was to:

- Review the performance and key events of the 2014-15 financial year
- Receive an update on the implementation of the Credit Union Expansion Programme (CUEP), and
- Determine the Strategic Objectives for 2015-16

The remainder of this report will consider these key themes.

### **1. REVIEW OF 2014-15.**

#### **Membership**

Our membership grew by over 400, so that by the years end our total stood at 3,440. This represents a 'net' growth of 190 in the year, which we are pleased with considering the significant disruption to our operations during the year, and the fact that, due to our active approach to dormant accounts, a much greater proportion of our accounts are now 'active'.

As far as the geographical distribution of our membership is concerned, there are some interesting shifts compared with this time last year:

	<b>2014</b>	<b>2015</b>
Ilkeston	1256	1247
Amber Valley	916	981
Long Eaton	691	674
Derby City	113	245
Derbyshire Dales	28	54

During the year, we closed the Heanor operation, and significantly reduced opening times at Alfreton, Long Eaton and Ripley. Given the increased use of ATM's and the take-up of internet banking, demand is declining naturally for over-the-counter cash facilities, and, as a consequence, we have decided to close the Alfreton and Long Eaton operations as the new banking platform is adopted from June this year. In this respect, it is interesting that membership numbers have risen significantly in the Amber Valley area, at a time when over-the-counter operations have been significantly curtailed.

We are currently a long way from having a fully automated on-line system (that will be resolved by the new platform). However, even with the current system by September 2015, 37% of our members were using online banking, nearly 100% of new members were joining online, and 60% of the people using our website were doing so on a mobile device.

I reported last year on the considerable encouragement we had received from Derbyshire County Council (DCC) to extend our operations into the Derbyshire Dales (principally Matlock and Ashbourne) and their funding of a development initiative which saw the establishment of 'pop-up' advice centres across the Dales. Similarly, Derby City Council (DC) have encouraged us to increase our visibility in the City and have provided us with grant funding and, prior to our move to Derby, a base in the Council House, from which we were able to recruit some new members. There is no new grant income to report for the current year in respect of these, but the activities continue. As anticipated, developing a framework in the high peak is proving very challenging, and although we have doubled our numbers, the totals are still very low. The position in Derby city is, however, much more encouraging, where numbers have doubled, despite us having no visible high street presence.

### **Financial Performance**

As you will note from the Treasurer's Report, our financial performance continues to strengthen. In 2013-14 we made a loss of £39,767 - a significant improvement over the £77,000 loss of the previous year, and substantially better than our budgeted outturn of a loss of £58,588. For 2014-15, we budgeted for a loss of £46,000, but the eventual outturn of a loss of only £862 - effectively a balanced budget - represents another substantial success. This improvement has been in part due to our ability to secure grant funding, but has also been down to having been able to increase our maximum interest charge to 3%, along with reducing leakage via bad debts.

**Our trading performance means that the Board is able to recommend the payment of a dividend of 1% for the year.**

For the current year, we are budgeting for a deficit of £18,850. This incorporates additional funding we will receive as part of the CUEP project (see below) but also the additional costs involved in implementing a new banking platform. **In addition, we are exploring the possibility of obtaining new retail premises in Derby, which will impact further on our annual costs in advance of any consequent upturn in revenues.**

Explicit in the Government - funded 'Credit Union Expansion Project (CUEP) is the need for credit unions to expand their lending beyond the small loans of £500 or less (that has traditionally accounted for 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. For 2014-15, the average value of our loans rose from around £500 to around £700, and our total loan book expanded from around £950,000 to £1.2 million. It currently stands at £1,354,545 and peaked in December to just over £1.4 million.

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 3.9% APR. This has allowed us to become both more competitive and profitable, in addition to providing us with 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. The Board has recently reviewed this position following our growth in loans and have agreed to re-introduce our ISA from April at a rate of 1.5%.

### **Bad Debts**

As I pointed out both last year and the year before, the end of DWP grants to credit unions, coupled with a more challenging economic environment, led to high and growing levels of bad debts across the movement. The high watermark for us was 2012-13 when 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 2014-15 we were projected to reduce this to £80,000, and I am pleased to be able to report that our eventual figure was £73,184.

This improvement has been due to a number of factors, including a greater reliance on more sophisticated lending decision technologies, and a tendency to move more quickly to legal sanctions, such as county court judgements, where members with poor repayment records have not afforded us appropriate co-operation.

We remain committed to helping members who may be poorly connected to financial institutions, or who may find loans difficult to obtain otherwise, but we have to be resolute in following up defaulters in order to ensure that the credit union remains viable for the whole of its membership.

### **Products and Services**

The most successful Credit Unions are those that have close links with an employer, whereby member loan repayments and savings can be deducted via the payroll. This is an area we have been putting increased emphasis on, and we launched the 'Payroll Deductions Scheme' with DCC right at the end of the previous financial year. This scheme is growing (26 new members to date) but is still small. More recently, we have launched schemes with Derby City Council, Derbyshire Dales District Council & Acclaim Housing. 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 years time.

Finally, we enrolled 5 new 'corporate accounts' during the year, bringing the total to 8.

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

I explained in last years report how, in 2012, Government announced the provision of £35 million for Credit Unions (CU's), to support the modernisation of the sector over the next three years. The DWP invited bids for a proposal to implement a strategy for CU's that would enable their sustainability and growth into the future, and the successful bid was from the CU trade body ABCUL (Association of British Credit Unions Ltd) in March 2013, for a project that would be delivered via its 'arms-length' organisation, 'Cornerstone'.

The key elements of the project are:

- 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.

Accordingly, we have adopted a rigorous business plan, and are in liaison with Cornerstone over the implementation of the new banking platform, which at the moment is scheduled for June 2016. Given what market research tells us about the use of mobile devices for banking operations amongst young people, but also about the spread of such practices amongst the over 55' s, we know that failure on our part to be able to meet this technological challenge will act as a major brake on future development.

**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 continue to report on progress at future meetings.

**And finally...**

Our ability to maintain our operations in 2014-15 would have been seriously restricted without the help of a number of partners, in particular: Direct Help & Advice (DHA) (formerly Derbyshire Housing Aid), Derbyshire County Council, Derby City Council, Derby Homes, Derbyshire Dales District Council, Dales Housing, Amber Valley Borough Council and EMH Homes (formerly Three Valleys Housing).

In addition, I would like to make special mention of:

Lynn Allison, Chief Executive of Amber Valley CVS who has 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

John Davis, Dean of Derby Cathedral, who, in addition to providing us with the magnificent setting of the Cathedral for our AGM, has also allowed us to use his premises for a number of meetings, including that of the east Midlands Credit Union Forum.

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. 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 2016

## Treasurer's Report

We faced another challenging year in 2014/15. However despite this I am pleased to announce a further significant reduction in our trading loss from previous years as our income continues to grow, bad debt is managed and expenditure controlled.

### Income

This year our income met 99% of our expenditure compared to 93% last year and 76% the year before that. Income growth is generally down to the increase in our loan book size (illustrated in the table below) and the move to the 3% cap (42.6% APR) in 2014 on the smaller loan values. Whilst our income was also boosted by several existing grants from various partners this was to fund ongoing projects rather than day to day operational costs.

### Expenditure

Whilst the work of the team resulted in a significant reduction in bad debt, the main increases in expenditure were around publicity & advertising and employment costs.

The increase in publicity and advertising costs were as a direct result of the rebranding and move to Derby during the year. In addition the Board took the decision to appoint a Development Worker whose role is to grow the business across Derbyshire Dales and the City.

We spent £49,645 of grant money during 2014/15 on various projects including a greater online presence and online banking capabilities.

### Balance Sheet

Member savings have remained fairly static during the year, whilst the loan book has grown by 21% and loan income by 23%.

	2015	2014	% difference
<b>Total Net Assets</b>	£1,744,308	£1,716,414	2%
<b>Member's Shares</b>	£1,285,601	£1,256,845	3%
<b>Total Loans to Members</b>	£1,133,004	£900,227	21%
<b>Interest on loans</b>	£277,581	£215,772	23%
<b>Surplus before Tax</b>	-£862	-£22,369	-91%
<b>General Reserve</b>	£187,224	£187,224	0%

Based on our steady growth during the year and significant reduction in losses, the Board is recommending an increase in dividend to the share accounts reflecting our commitment to members.

### Budget & Business Plan

A three year business plan and annual budget have been agreed by the Board. Progress against both of these is monitored by the Board at our monthly meetings.

**Compliance (as at Sept 15)**

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 3% is exceeded at a stable 25.1% and liquidity is a strong 61.96%.

**Dividend**

In light of my report I recommend that a dividend of 1% is paid to members.

Patricia Butler  
16 March 2015

# **Audited Accounts**

## Supervisory Committee Report

At the start of the year the Supervisory Committee (SC) comprised of four members Steve Bean(chairman), Marietta Farnsworth, Diane Webb and Arthur Webb. Over this past year there have been many changes in the regulations for credit unions, the structure of the regulatory authorities and the size, structure, activities and branding of DCB. We have throughout this period of change, monitored and evaluated these activities with a clear eye on what is in the best interest of the members.

We continue with our regular audit programme, the committee meeting monthly to review the progress of the audit plan and to plan the next months work. We report most months to the DCB board and at least one of the members is always in attendance at board meetings.

Our internal audit activities have included:-

- Reviewing official, employee and family related accounts to confirm they are run in accordance with DCB rules.
- Conducting surprise cash and teller's till counts to check on the accuracy of procedures and security.
- Conducting bank reconciliations.
- Verifying the loans procedures are carried out accurately and within the rules of the DCB.
- Monitoring compliance by DCB of its rulebook.
- Monitoring quarterly returns.
- Verifying closed accounts.
- Monitoring compliance with the PRA Single Customer View requirements.
- Verifying that the credit union is maintaining adequate insurance.
- Monitoring whether the credit union is carrying out additional activities and whether they are in compliance with the rules around those activities.

Through these and a number of other activities we have, on behalf of the members, found the need to suggest some changes to the board which have then been discussed and where deemed appropriate acted upon.

We wish to thank Sara Dinsdale for her patience with us and for her remarkable capacity to absorb the vast amount of change in regulation and technological development that has occurred this year and in helping us deal with these same changes. We would also like thank the staff of DCB for their total cooperation as we have watched, assessed and recorded their performances over the year.

We are pleased to report to members that from our perspective we have encountered no major issues that need reporting to the AGM. There is a continuing effort to ensure that all DCB activities are conducted to the highest standards.

Regrettably we must report the recent resignation of Marietta Farnsworth from the committee and would ask that this meeting record the DCB's recognition of the outstanding contribution she has made to the success of DCB.