



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

**12<sup>th</sup>**  
**Annual General Meeting**  
**20<sup>th</sup> February 2018**



**Derbyshire Community Bank**

where **local** really counts

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

# **Notice of the 12th Annual General Meeting**

To be held:  
Tuesday 20<sup>th</sup> February 2018  
6.00pm to 7.00pm  
Derby Cathedral,  
DERBY

### **Agenda**

- Welcome & Introductions
- Apologies
- Minutes of 2017 AGM
- Chair's report
- Treasurer's report
- Supervisory Committee report
- Receive audited accounts to September 2017
- Resolutions on dividend to Members & re-appointment of Auditors
- Election of Directors & Supervisory Committee
- Any other business

## Minutes of last years meeting:

DERBYSHIRE COMMUNITY BANK

### AGM

WEDNESDAY 21st February 2017 at 6.00pm

Derby Cathedral

AGENDA ITEM	RESOLUTIONS/ACTIONS
<p><b>1) Welcome, Introductions &amp; Apologies</b> Warm welcome from Simon Taylor on behalf of the Cathedral Chapter, which is very proud to be supporter of Derbyshire Community Bank.</p> <p>Welcome from Mick Brown, Chair of the Board and thanks to Simon for allowing us to again use the Cathedral for our annual AGM.</p> <p>Introductions for the top table included Andy McBean (Auditor), Pat Butler (Treasurer), Sara Dinsdale (CEO).</p> <p><b>Attendees:</b> Linda Mackay, Member Ian Frearson, Member P. Hartshorn, Member Lee Griffiths, Member Georgina Bingham, Member Jon Leigh, Member Sara Dinsdale, CEO &amp; Member Andy McBean, Auditor Mick Brown, Director &amp; Member Paul Whittingham, Director &amp; Member Pat Butler, Director &amp; Member Howard Forster, Director &amp; Member Simon Taylor, Director &amp; Member Keith Donald, Director &amp; Member Phil Fee, Director &amp; Member Steve Bean, SC &amp; Member Arthur, SC &amp; Member</p> <p><b>Apologies noted from:</b> Di Webb, SC &amp; Member Adele Atkinson, Director &amp; Member Andrew Simpson, Director &amp; Member Maria Smith, Member Anna Coombe, Member M. Blackburn, Member</p>	

<p><b>2] Minutes of 2016 AGM</b></p> <p>Minutes approved.</p>	
<p><b>3] Chairs Report for the financial year ending 30<sup>th</sup> September 2016</b></p> <p>The Chair presented his report in line with submitted papers picking out the key points from the year.</p> <p>CEO advised that she had received subsequent notification that the banking platform launch had been delayed by Cornerstone to 2018.</p> <p>No questions.</p>	
<p><b>4] Treasurer's Report</b></p> <p>The Treasurer presented her report in line with submitted papers.</p> <p>No questions.</p>	
<p><b>5] Supervisory Committee Report</b></p> <p>The Chair of the Supervisory Committee presented his report in line with submitted papers.</p> <p>Recognition given to Di &amp; Arthur, founder members of the credit union who resigned at the AGM and whose contributions have been immense.</p> <p>Request for new members to join Supervisory Committee as we are now only down to one person.</p> <p>Thanks to Georgina, Compliance Officer and Jon, Ops Team Leader for all support and information supplied.</p> <p>No questions.</p>	
<p><b>6] Receive the annual audited accounts</b></p> <p>Presented in line with submitted papers.</p> <p>Andy from Alexandra Sloan Accountants outlined the position of the Credit Union (CU) and stated that there was nothing of concern to report to the members.</p> <p>Accounts show CU in a very strong healthy position with solid reserves.</p> <p>Financial ratios – capital to assets well exceed minimum requirements. Good to see them being monitored. RBS failed because no one at a high level had a view of them.</p> <p>Auditors role is to give a 'true and fair view'. Can advise no</p>	

<p>material errors; accounts prepared in accordance with regulatory requirements; satisfied proper accounts kept and systems of control in place.</p> <p>Happy to confirm a clean audit report.</p> <p>Q. Should we be making a transfer from development reserve to general reserve to keep general reserve at 10% of all assets. A. Regulation states 'reserves' rather than any named reserve.</p>	
<p><b>7] Resolution on dividend</b></p> <p>Motion to pass a resolution to award 0.5% dividend</p>	<p>Resolution to award 0.5% was agreed by the floor.</p>
<p><b>8] Appointment of auditors</b></p> <p>Motion to appoint Alexandra Sloan Accountants as auditors for next Financial year.</p> <p>Q. Regarding whether fees had been agreed. A. Fees agreed as part of procurement exercise</p>	<p>Resolution to appoint Alexandra Sloan Accountancy was agreed by the floor.</p>
<p><b>9] To elect and endorse Board Directors</b></p> <p>John Davis, Diane Webb &amp; Arthur Webb retire in accordance with our rules. None to re-stand.</p> <p>Andrew Simpson, Keith Donald &amp; Simon Taylor co-opted during year – motion to elect.</p> <p>Motion to re-elect all remaining Directors and Supervisory Committee Members.</p>	<p>Duly elected.</p> <p>Duly elected.</p>
<p><b>10] AOB</b></p> <p>None</p>	
<p><b>Meeting closed at 6.40 pm</b></p> <p><b>Simon Taylor thanked Mick Brown for his continued contributions as Chair for the organisation.</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 2016 to September 2017. 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 and Identity**

Last year, I outlined the history of, and rationale behind, our re-location from Ilkeston to Derby, and anticipated the move to our new premises at 38 Cornmarket, which was completed in February 2017 - just a year ago.

This move, inevitably, resulted in significantly higher levels of expenditure than we had anticipated, and this has impacted upon our trading position. However, we were confronted with limited options - staying in our old premises was neither affordable nor desirable, and remaining in the DHA premises, where we were effectively invisible to the local community, would have seen the steady erosion of our customer base continue. In short, if we really wanted to give the credit union the best chance of thriving in the future, we just had to 'go with it' and bear the short term cost implications. I will return to this later in the report.

I reported last year our change of name to 'Derbyshire Community Bank', (from October 2015) and the accompanying new corporate visual identity with re-designed logo and a new colour theme. The new name is becoming increasingly familiar to people, and I would re-iterate the point made in last year's report, that we are committed to continue to provide services elsewhere in Derbyshire other than just in the City. In this respect, our customers based in Ilkeston, Ripley, and other towns of the Erewash/Amber valley sub-region, and within Derbyshire generally, remain very important to us.

### **Strategic Planning**

Our annual planning event was held on 2nd October last year, at the new premises in Cornmarket. The main purpose of the event was to review our strategic objectives for the year and we focussed on three main areas:

- **Growth and Expansion**
- **Our markets, products and Services**
- **Financial Strategy**

The remainder of this report will consider these key themes.

## 1. GROWTH AND EXPANSION

### Membership

Changes in our active membership over the year, in comparison with previous years, are shown below:

	2014	2015	2016	2017
Ilkeston	1256	1247	1074	1182
Amber Valley	916	981	800	823
Long Eaton	691	674	587	609
Derby City	113	245	219	308
Derbyshire Dales	28	54	69	78
Total	3004	3201	2749	3000

Last year I pointed out the significant reductions in numbers between 2015 and 2016, which I attributed mainly to much more aggressive approach to closing 'dormant' accounts than had been the case hitherto, but also to our lack of visibility since we moved from our very prominent high street premises in Ilkeston and our 'traditional' geographical markets. Along with this has gone a dramatic reduction in 'over the counter' business (which now only exists in Ilkeston) and the closure of our Alfreton, Long Eaton and Ripley branches.

Total membership has increased over the year by 251, and it is encouraging to note that this is slightly stronger growth than was achieved between 2014 and 2015 (197) which is the last period in which we recorded growth. It is also interesting that Ilkeston is still the strongest area for growth, despite the limited presence we have there, and it is also interesting that in both Amber Valley (Ripley/Alfreton) and Long Eaton, growth has continued even though we no longer have a physical presence.

The increased use of ATM's and internet banking that I noted last year, has continued. Close to 100% of new members now join online, and 85% of members are now registered for online banking (compared with only 37% two years ago). It is also interesting to note that, at the last count, 73% of activity on our website was via a mobile device.

Finally, the total loan book value followed a similar profile to the previous year. The total value of loans at the yearend stood at £1,364,029, compared with £1,370,856 for 2015-16 and £1,354,545 in 2014-15.

I think the key point to note is that the decline in membership that was apparent last year has been arrested and, hopefully, reversed. After only a year of operation it is still relatively early days in our new branch, but I think we are beginning to see some positive signs.

### Credit Union Expansion Programme (CUEP)

I have discussed in previous years reports the government funded initiative (CUEP) to modernise the credit union sector, and our engagement with it. I have also previously outlined the key elements of the project:

- A new banking 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.

I have described in previous reports the tortuously slow 'roll-out' of this programme, and our questioning as to whether the supposed benefits would ever be realised. Last year I reported that we expected to be on the new banking platform in June 2016. That date was missed, and this time last year, we were expecting to 'go live' in June 2017, though, as I added at the time, "*I wouldn't be surprised to see that date shifted further back*".

This indeed did happen, and subsequent delays, coupled with funding difficulties for the sponsor organisation (Cornerstone Mutual Services - CMS) as the DWP appeared to get cold feet over providing money for what was looking like a failing programme, led us, along with those other credit unions who remained committed to the project, to seriously question our continued involvement. Eventually, with CMS increasingly unable to provide us with any concrete assurances, we decided to investigate, in conjunction with, and utilising the experiences of, other credit unions, other avenues for achieving the improvements that the CUEP was charged with delivering, and this activity is still ongoing, and we are investigating some promising developments. Given all of this, we do anticipate withdrawing completely from the 'CUEP' programme, but we have not formally done so at present.

## **2. MARKETS, PRODUCTS AND SERVICES**

I have mentioned in previous reports the steer that was given by government to the credit union movement, to seek larger value, longer term loans, in the expectation of increasing profitability, and how, given our own position, pursuing this strategy led to a reduction in the yield from loans, and undermined our trading performance.

At this years Strategic planning event, we examined our markets in some detail, along with the activities needed to grow those markets.

We looked at a detailed analysis of the impact upon our arrears of loans of varying sizes, as a result of which it became clear that arrears on loans from £3,000 to £15,000 present by far the biggest threat to our solvency, with 33% of them currently in arrears. Added to this are the higher costs associated



with processing and authorising these loans, and as a consequence, the board took the decision at its November meeting to impose a maximum limit to individual loans to £3,000.

This was against the backdrop of our customer analysis, which strongly suggested that trying to broaden our base into higher income earners was proving both pointless and costly - these customers typically expected on-line 'real time' access and were not accustomed to waiting for loan decisions. In addition, for loans of between £7,000 and £10,000 they expect to pay about 2.9% on average from a high street lender as opposed to our APR of 6.7%. A consequence of this is that our lending to these customers tends more to the 'subprime' end of the market where the risk of default is greater. In contrast, our 'traditional' markets are associated with much lower value loans for lower - income customers (many of whom are in receipt of state benefits), whose only alternatives in many cases are the 'payday' lenders, 'doorstep' lenders, or Brighthouse. Their lending tends to be focussed around specific needs or events (Christmas, for example, or the replacement of white goods) and do not have an expectation of an instant decision on their loan application. Although some of this lending would also be 'subprime', the APR of 42.6% yields a much better return, whilst still being by far the cheapest form of credit for this type of borrowing.

The outcome of our deliberations therefore was a decision to re-focus our lending back upon our 'traditional' customer base and to adapt our products to better suit our customers, with two specific decisions:

1. To cap loans at a maximum of £3,000, as mentioned above.
2. To investigate 'revolving credit' arrangements for customers who undertake regular 'top up' loans, and have a good repayment history.

As far as our marketing and promotional activities are concerned, we have been helped by a short-term appointment of a University of Derby student who has significantly improved our profile on social media, as well as enhancing our understanding of our own market. We know that by far the largest source of new members is via current member word-of-mouth - we have grown primarily through personal recommendations, and repeat business, along with 'top-up' loans are key sources of continuing activity.

In terms of appealing to a wider potential membership, our Facebook activity has grown massively: we offer money saving tips and share latest relevant financial news alongside promoting our products and services, and in the last twelve months we have more than trebled our Facebook 'likes' - an important indicator of our widening presence on social media. In terms of existing membership marketing we have found text messaging to be the most effective means of promoting loans, and member feedback about this type of communication is very positive.

Finally, we continue to hold regular surgeries across Derbyshire, at venues such as the Hurst Farm Community Centre in Matlock, and the Job Centre in Buxton. This outreach activity, which is having an impact in terms of membership, is jointly supported by Derbyshire County Council and

Derbyshire Dales District Council, who fund a development worker to operate in the Dales and High Peak areas.

### 3. FINANCIAL STRATEGY AND PERFORMANCE

Our financial performance over recent years is shown below:

Year	Forecast	Out-turn
2013-14	-£58,588	-£39,767
2014-15	-£46,000	-£7,060
2015-16	-£22,000	-£32,815
2016-17	-£49,950	-£119,367

Last year I recorded that, taking into account the additional legal and other costs associated with the new premises, combined with changes in accounting conventions related to bad debt provisions, our outturn was in line with our forecast. I did also make reference to the anticipated (and unanticipated) additional costs related to the new premises, that would only become clearer once trading was underway. Bearing this in mind, we budgeted for a trading deficit of £49,950.

The eventual deficit of £119,367 was much worse than this, for the following reasons:

- Legal fees, including stamp duty, surveyors, fires safety assessments and solicitors exceeded estimates by £12,760.
- Completely inadequate IT cabling, required a total re-wire for the building at a cost of £9,812.
- The need for illuminated signage, including a projecting sign at a total cost of £8,587.
- A new server was needed: £14,542.
- The SQL server/Microsoft licensing, backup discs and remote access: £10,382.
- **Total additional costs: £56,083**

In addition to this, we have, in common with other credit unions across the sector, experienced increases in the following areas, that have also exceeded budget expectations:

- Bad debt write-offs: £5,000 above budget
- provision for doubtful debts: £16,400 above budget
- **Total above budget: £21,400**

These numbers relating to increased failure of members to repay loans on - time (or indeed at all) are, as I have indicated, a growing problem amongst almost all credit unions, and we have implemented a number of measures to attempt to mitigate this. However, we are witnessing significantly increased levels of financial hardship amongst our membership, and this is reflected in the pessimistic view we have taken in drawing up our estimates for 2017-18 and beyond.

The picture going forward is not as bleak however, as the numbers above might at first suggest. To begin with, the £56,000 additional costs relating to 'infrastructure' are a 'one-off'. Secondly, our income from loan interest was £10,000 above target last year (principally due to changes in our interest rate structure outlined at last year's meeting), and we are anticipating an additional £30,000 from loan income for 2017-18, and finally, although we have increased our bad debt 'write-offs' by £15,000, we are hopeful that the measures we have undertaken will bring debt delinquency under control. I would finally remind members that, although we are projecting losses for the next three years, we do have healthy reserves, and at the end of this period we anticipate they will still be in excess of £250,000.

**In the light of the current financial position, the board is not recommending the payment of a dividend for the 2016-17 financial year.**

We understand that members will be disappointed by this, but we believe it is the only responsible option, and we hope to be in a position to make a more positive determination next year.

**And finally...**

Our ability to maintain our operations in 2016-17 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 (who continue to provide valuable promotional assistance), Derby Homes, Derbyshire Dales District Council, and Amber Valley Borough Council.

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. With this in mind, I would 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, along with my sincere gratitude to my colleagues on the Board of Directors, and the Supervisory Committee, who meet regularly 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  
January 2018

## Treasurer's Report

We faced another challenging year in 2016/17, which saw an overall audited loss of £119,367.

### Income

This year our income met 75% of our expenditure compared to 91% last year and 99% the year before that. Whilst our income grew, our overall loss was greater than budgeted which was in the main down to our move to high street premises in the Cornmarket, Derby.

### Expenditure

Whilst the work of the team continued to tackle bad debt, the main areas of expenditure was around employment costs, bad debt write off and provisions for bad debt.

We spent £21,128 of grant money during 2016/17 on various projects including advertising & marketing and project staff to raise the awareness of the bank.

### Balance Sheet

Member savings have increased by 17.16% but the loan book has remained fairly static. Loan income has grown by 12.06% due to the interest rate rise in October 2016.

	2017	2016	% difference
<b>Total Assets</b>	£2,090,807	£1,969,361	6.17%
<b>Member's Shares</b>	£1,688,852	£1,441,471	17.16%
<b>Total Loans to Members</b>	£1,300,891	1,342,104	-3.07%
<b>Interest on loans</b>	£309,522	£276,217	12.06%
<b>Surplus before Tax</b>	-£111,412	-£32,815	239.52%
<b>General Reserves</b>	£311,561	£430,928	-27.7%

### Budget & Business Plan

A new three year business plan and annual budget were agreed by the Board in 2017. Progress against both of these is monitored by the Board at our monthly meetings.

### Compliance (as at Sept 17)

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 15% and liquidity is 44%.

***Dividend***

In light of the losses highlighted in my report I recommend that no dividend is paid this year.

Patricia Butler  
February 18

**Supervisory Committee report to the Erewash Credit Union (trading as Derbyshire Community Bank) AGM 20 February 2018**

At the start of the year the Supervisory Committee comprised of three members, Steve Bean (chairman), Diane Webb and Arthur Webb. At the start of 2017 Diane Webb and Arthur Webb resigned from the Committee leaving Steve Bean as the sole member of the Committee. The Committee would like to express gratitude for the work done by Diane and Arthur over a number of years. In April 2017 Andrew Simpson resigned from the Board to join the Supervisory Committee. In October 2017 Steve Bean resigned from the Committee leaving Andrew Simpson as the sole member of the Committee. Gratitude is expressed for the work done by Steve Bean over a number of years. It is noted that the work of the Committee has been made easier following the appointment of Georgina Bingham as Compliance Officer.

The 2016/17 financial year saw the Credit Union face financial challenges including the effect of making high value loans at lower rates of interest and costs associated with moving to new premises at 38 Cornmarket in Derby. 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.

The Committee is now working to a monthly audit programme that has been adapted from the model programme laid out by ABCUL. The Committee submits a report of the work carried out most months to the DCB board. Committee members attend the monthly Board meetings as well as strategy meetings and budget setting meetings.

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.
- Reviewing 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.
- Review of processes for dealing with delinquent debtors.

Through these and a number of other activities the Committee has, 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.

Overall the Committee has been impressed by the work carried out by Sara Osborne and the staff of DCB. They are a hard working professional team that work effectively together in the interest of all the members. The Committee is very grateful for the cooperation and candour of all members of staff in dealing with questions that were raised.

Whilst it is noted that at busy times the staff are under great pressure, 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.

Andrew Simpson  
2018

**Detailed Revenue Account for Year  
Ended 30<sup>th</sup> Sept 2017**