Derbyshire Community Bank
where local really counts

16th
Annual General Meeting
14th March 2022

Derbyshire Community Bank
where local really counts

(Trading name for Erewash Credit Union)

Notice of the 16th Annual General Meeting

To be held:
Monday 14th March 2022
2.30pm to 3.00pm
Virtually

Agenda

- Welcome & Introductions
- Apologies
- Minutes of 2021 AGM
- Chair's report
- Supervisory Committee report
- Treasurer's report
- Receive audited accounts to September 2021
- Resolutions
- Any other business

Minutes of last year's meeting:

DERBYSHIRE COMMUNITY BANK VIRTUAL AGM Monday, 22nd March 2021 1.30 pm	
AGENDA ITEM	**RESOLUTIONS/ACTIONS**
Attendees See attendance register	
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**
3] **Chairs Report for the financial year ending 30th September 2020** Presented in line with submitted papers. See Q&A report	
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 audited accounts for FY2019-20 VOTE – do you accept the Boards recommendation not to pay a dividend VOTE – do you accept the Boards recommendation to re-elect Alexandra Sloan auditors for FY2020/21 VOTE – do you accept the Boards recommendation to elect the co-opted Directors to the Board en-bloc	Resolution agreed Resolution agreed Resolution agreed Resolution agreed Resolution agreed

VOTE – do you accept the Boards recommendation to re-elect the remaining Directs to the Board en-bloc VOTE – Are you interested in more information about becoming: a. A Supervisory Committee Member b. A Board Member For the full results see the poll report.	
Virtual meeting closed at 2.30 pm	

Report from the Chair

As Chair of the Board of Directors, I am pleased to present my report covering the financial year October 2020 to September 2021. 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 year's report.

The year in brief

The 2020-21 financial year was less disrupted by the pandemic than the previous year, but we still experienced some dislocation to normal working as a result of the centrally imposed restrictions meaning that many staff were working from home for a significant part of the year. In addition, board meetings were conducted remotely via 'zoom' as was the AGM in March. The most significant change in our operations came with the move from 38 Cornmarket to 'CUBO', Victoria Street, on December 1st.This move, which was undertaken in the midst of some disruptive staffing changes, was designed to shave around £30,000 a year from our overheads. There were some costs associated with the move which have impacted inevitably on our financial statements, and these are dealt with elsewhere in this report.

Loan Income

The chart below indicates total loan allocations across three financial years (2018-19 to 2020-21), coded green where the figures exceed those for the same month in the previous year, and red where they are lower. It is clear that lending numbers did improve in 2020-21, and exceeded the previous year by £63,914. However, we were still £104,348 below the 2018-19 figure. The improvement in our lending meant that our loan income of £378,308 slightly exceeded target (by £3,308) and we are looking to increase our total loan income for 2021-22 to around £400,000 which would take us back to pre-pandemic levels.

Loan Allocation Figures

	2018/19	2019/20	2020/21
October	£106,400	£145,311	£154,270
November	£170,210	£184,483	£166,098
December	£156,245	£130,300	£135,078
January	£76,060	£72,095	£56,480
February	£66,574	£71,478	£82,755
March	£86,004	£75,125	£93,732
April	£107,770	£40,828	£73,106
May	£100,094	£60,195	£72,979
June	£110,060	£70,122	£100,594
July	£113,558	£100,310	£95,513
August	£105,693	£74,155	£79,689
September	£110,242	£116,291	£94,268
Total	**£1,308,910**	**£1,140,648**	**£1,204,562**
Year on Year Difference	£145,098	-£168,262	£63,914

Staffing Implications

There were a number of significant staff changes in 2020-21. Sara Osborne, who had continued to operate as our CEO in a remote capacity (having re-located to France in March 2019) resigned at the end of June 2021, in order to devote herself full-time to their Chambre d'Hote business, and we appointed a replacement from mid-June to enable Sara to provide on-line support for the new person.

Unfortunately, our new CEO resigned after two months, as a result of which we appointed our Operations Manager, Sharmillar Fearon as Acting CEO from July. At this time, a relaxation of covid restrictions meant that economic activity generally began to increase, and developing staff shortages in a number of areas meant that there was an increase in demand for labour, accompanied by a bidding upwards of wage rates, which we tried to reflect in pay increases for our own staff at that time.

Having lost our CEO, and with two experienced staff members absent long term, we were hit with a body blow in early August when another of our most experienced employees also chose to move on. This was a very trying time for Sharmillar and the team operating on depleted staff numbers. Three new part time appointments were made in September 2021, although we were further saddened when Sharmillar also decided to leave the organisation during this period, eventually departing in November.

The hard work of our remaining staff force, along with some volunteers, meant that we were able to weather this storm with minimal damage, but it was very worrying for a time.

Our new CEO, Claire Hale took up her post at Derbyshire Community Bank on 1st October, joining us from the Voluntary Sector. Claire faced a daunting task for someone coming from outside the Credit Union movement; Not only did she have to become quickly familiar with our systems, but she also faced a challenge of lack of continuity following the significant staffing changes to that point. Added to this, we were committed to moving to the new offices on

December 1st, and Claire had to oversee the reparations to the old office in advance of surrendering the lease, as well as overseeing all of the systems issues associated with the move. Sara once again provided online support, and I have to pay tribute to the way Claire managed what is a difficult operation, especially in such trying circumstances.

Membership

Membership is growing, and I'm pleased to report that total membership is once again above the 'pre pandemic' level, with the strongest growth continuing to be experienced in Derby city - a 40% increase in one year. Elsewhere, numbers have continued to slowly decline, with the exception of the 10% increase in Amber Valley, which I am unable to explain at present. The growth in the Derby membership is very encouraging, given that this was the rationale for our move from Ilkeston some seven years ago, but it is also interesting that Ilkeston membership numbers are still above those for the city.

One of the outcomes of the pandemic and the significant staffing changes we have seen, has been substantially reduced activity where marketing/promotional activities are concerned - largely because of the reduced management capacity that we have been struggling with for the best part of a year. We have sought to maintain our web-based profile as well as we could given the circumstances, but other operations - particularly in respect of the management of loans and arrears, have had to take precedent. It is our intention that the additional post we are currently advertising will free up the management capacity required to focus more on external and promotional activities.

In previous reports, I have noted the switch from 'over-the-counter' to 'on-line' transactions in terms of new membership growth, cash deposits and withdrawals, and applications for loans. To date 4289 individuals have accessed our services online at some point, with around 2500 members a year regularly managing their accounts with us online. Online loan applications, which numbered 41 in total in 2017-18, are now running at 583 for the 21/22 financial year, which still has 6 months to run!

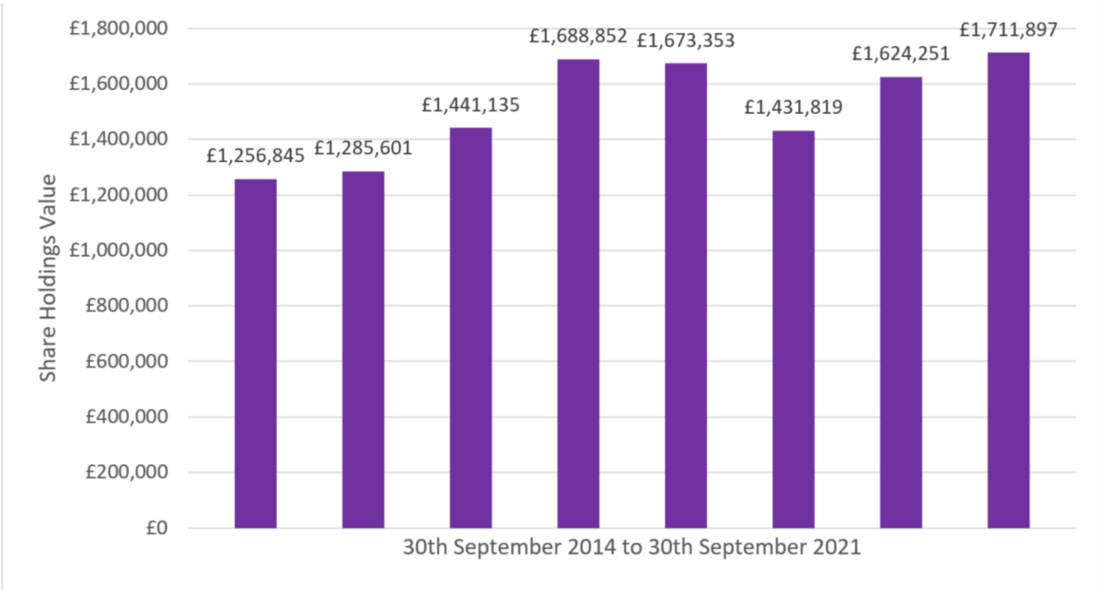
Membership Figures

	2018	2019	2020	2021	+/-	% Change 18/19	% Change 19/20	% Change 20/21
Ilkeston	1209	1125	1068	1028	-	-7.0	-5.1	-3.75
Amber Valley	832	789	715	788	+	-5.2	-9.4	+10.2
Long Eaton	596	553	528	525	-	-7.2	-4.5	-0.6
Derby	396	520	611	855	+	+31.3	+17.5	+39.9
South Derbyshire	0	0	196	181	-	0	+100	-7.7
Total	**3,033**	**2,987**	**3,118**	**3,377**		**-1.5%**	**+4.4%**	**+8.3%**
Corporate	-	-	34	35	+	-	-	+2.85%
Junior	-	-	185	105	-	-		-43.2%

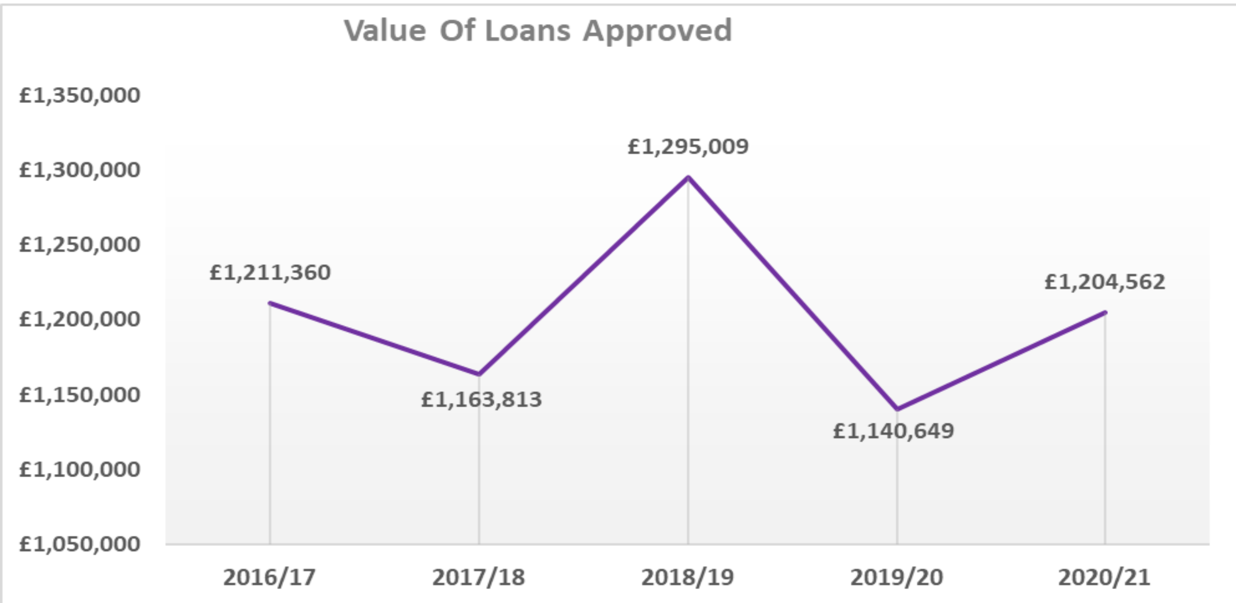
Shareholding

As can be seen from the table below, our total shareholding 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 the fund closed to new applications. From1st October 2020, shareholding increased as a result of the Moneyspider merger, and this upward movement in membership has continued despite the difficulties of the 2020-21 trading environment. Membership growth will be a priority as we move forward.

Shareholding as at 30th September

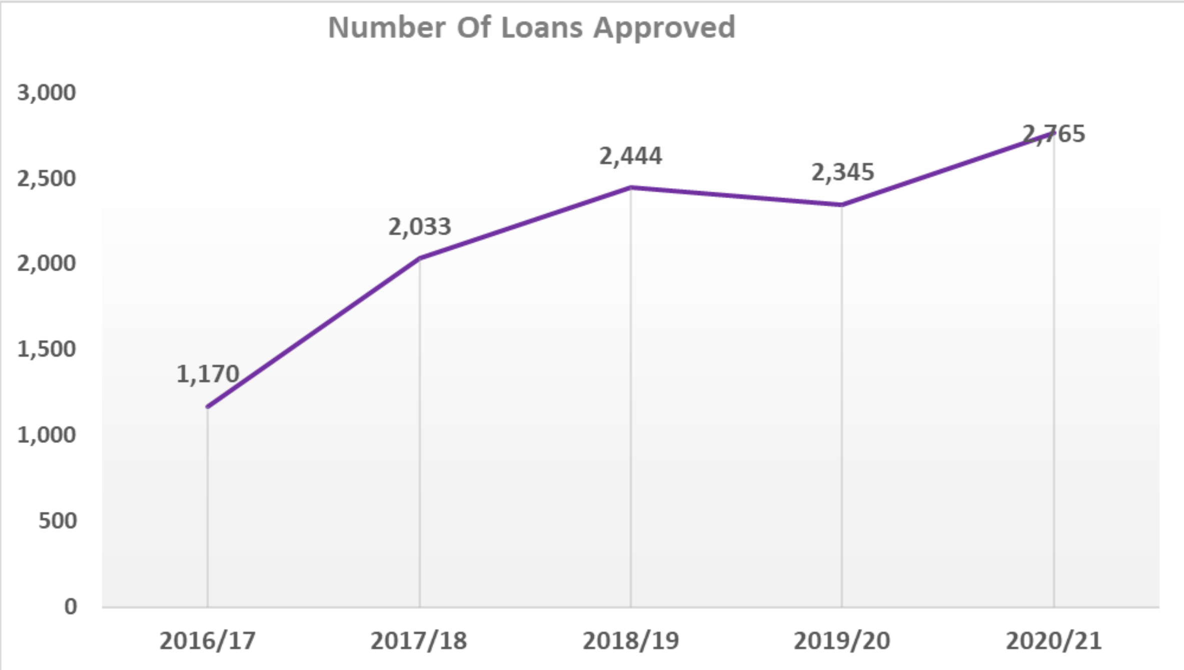


Lending

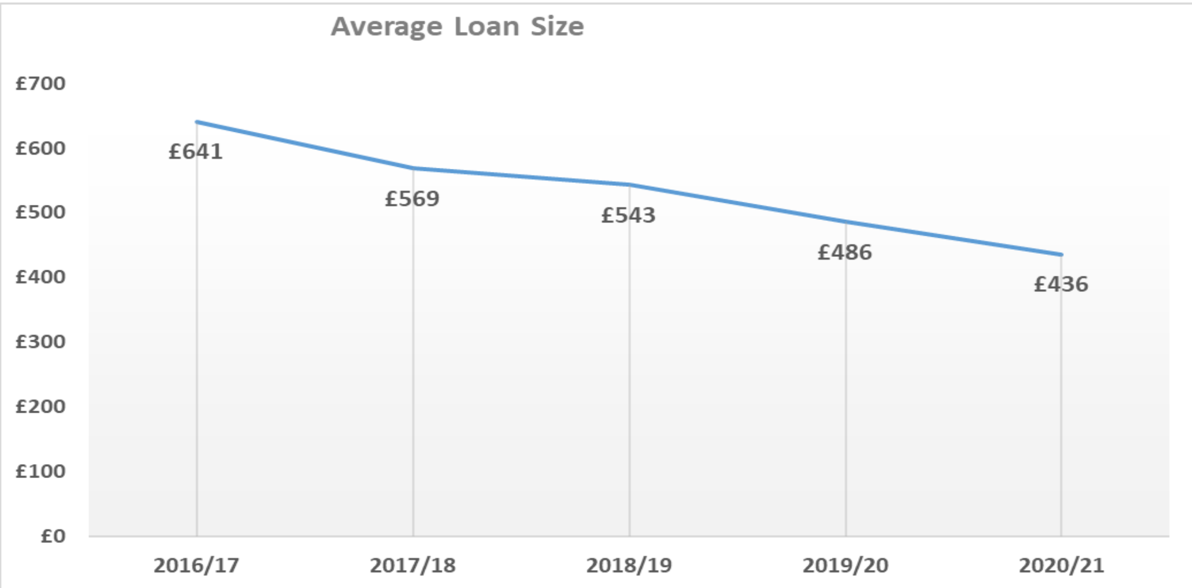


The table above clearly illustrates the impact of the reduced levels of lending between April and September 2020 - in fact, overall lending in terms of value, was at its lowest level for 8 years.

Interestingly however, the **number** of loan approvals only declined marginally from the 2018-19 level, and exceeded the levels recorded in the previous two years. The implication of this is that the average size of loans has continued to decline, as confirmed in the table below. This is no accident since, as I recorded in a previous report, we made a policy decision on 2018-19 to move away from higher value loans, for a number of reasons, the chief one being that, given a fairly consistent rate of default across all lending, the impact on our overall bad debts of higher value debts becoming delinquent was becoming unsustainable



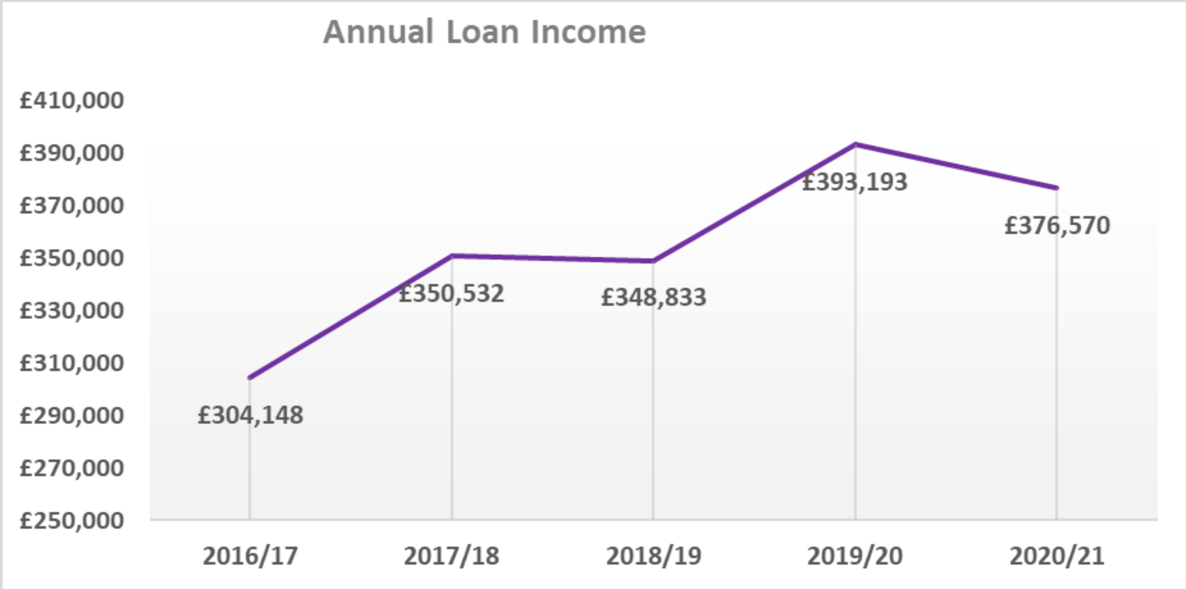
Average Loan Size



Loan Income

In last year's report I noted that, paradoxically, although the value of loans in 2019-20 had declined markedly, income from lending had increased - this is because loans income profile at any point is the outcome of lending volumes over previous years. As a consequence, I pointed out that*: " we need to be cautious in both our projections and our commitments for 2020-21 and beyond, since we know that the significant drop in the value of lending will continue to be felt for some time in terms of our income line".*

And so it proved: approved lending for 2021 was £63,914 above the previous year, but income from lending was £20,972 lower. The recovery in lending volumes however has enabled us to project an increase in lending income of around £12,000, to a projected £400,000.



Financial Strategy and Performance

Our financial performance over recent years is shown below:

Year	Forecast	Outturn	Variance
2014/15	-£46,000	-£7,000	+£39,000
2015/16	-£22,000	-£32,815	-£10,815
2016/17	-£49,950	-£119,367	-£69,417
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
Totals:	-£169,170	-£144,061	+£25,109

The financial position for 2020-21 appears at face value to have been significantly worse than the previous year, however, as I pointed out in last year's report, the 2019-20 figure was inflated by a one-off cash injection as a result of the 'Moneyspider' merger, and the covid-related business support grant: the actual trading surplus for that year being around £20,000. This year surplus of £12,387 also requires a health warning however for two reasons.

Firstly, reparations, dilapidations and legal fees associated with exiting the lease on Cornmarket generated additional 'one-off' costs of £26,726, which significantly reduced our trading surplus. Secondly, the extreme staffing shortages we experienced for part of the year meant that it was impossible to keep up to date with arrears and bad debts, despite our best efforts. It is not possible to quantify the exact shortfall until we have 'caught up', but we have agreed with our auditors that the outstanding figures will be fed in throughout this financial year. As a result, we will see our trading position impacted negatively, and a substantial part of last year's surplus will doubtless be eroded.

Given these sensitivities, the board is recommending **a modest 0.25% dividend for the year.**

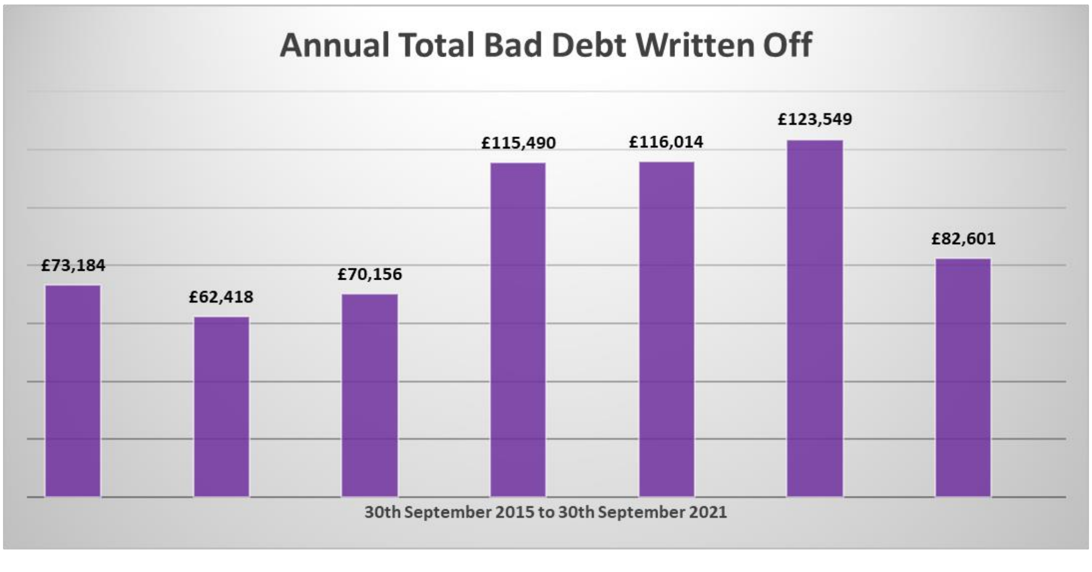
Year End Reserves

Audited Reserves of £325,345 remain strong, with a modest addition of £12,387 addition to those reserves as a result of the financial surplus. Our hope is that an improved trading position following the end of the 2021 'lockdown' will enable us to see out the financial year without having to draw from our reserves

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.

We continue to take steps to mitigate and reduce debt delinquency, and the figure for 2020-21 is encouraging in this regard. However, we should treat this with some caution. As I indicated above, the very serious staffing crisis we experienced in the summer of 2020 left us with insufficient staffing resources to keep fully on top of both loan requests and the chasing of arrears. We did attempt to plug the gaps with both agency and part-time/voluntary staff, prioritising loans requests over arrears. The result is that our debt write-offs are too low as I explained above - the actual figure will be reflected in next years report.



Year end 'CREDS' ratios

CREDS is shorthand for the 'Credit Union Sourcebook' which, under the auspices of the Financial Conduct Authority (FCA), represents the *rules* and *guidance* specific to credit unions. Following the change of regulator, from the Financial Services Authority (FSA) to the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) in 2013, a set of ratios were introduced in 2016 by the PRA following a review of the CRED. These ratios provide one of the key yardsticks by which the performance of individual credit unions is measured, and they are reported to, and discussed monthly by, the board.

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', and this is slightly below the peer average of 58.4%.

Key Financial Ratios as at 30th September 2021

	Regulator's indicative ratio	Sept 2021	
1. Financial Performance			
A. Capital as % of total assets	10%*	16.9%	
B. CU's borrowing as % of total assets	</= 5%	nil	
C. Total shares as % of total assets	>/= 70% & </=90%	83%	
D. Total bad debt written off (over 12 months) as % of total loans (projected)	</= 10%	5.6%	
E. Net assets as % of sum of total shares & juvenile deposits	>/= 105%	121%	
F. Bad debt (more than 3 months in arrears) as % of total loans	</=20%	12%	
G. Non-earning assets as % of total assets	</=10%	0.3%	
H. Net zero cost funds as % of non-earning assets	>/=200%	7590%	
I. Loan income over 12 months as % of total loans	>/=6%	38%	
J. Net loans as % of total assets (Peer avg. 58% Q1 2020)	>/= 70% & </=80%	57.1%	

And finally…

Despite restrictions, we continued to work in partnership throughout 20/21, and thank our many supporters for their input during that time. 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.

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. To this we must now add the hangover from the challenges of the pandemic, which will continue to impact upon our loan income and bad debt numbers for the current year.

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

I would also mention my appreciation of Sara Osborne, our CEO for the previous seven years, who successfully navigated the bank through a very turbulent and changing period in our history, and wish her success in her new business venture in France. 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 our members, without whom none of this would exist for the local community.

I will be standing down at this year's AGM, after nine years as Chair, and so this is my final annual report. I do not intend to leave the board however, and I am confident that, under my successor, the bank has a very sound future.

Mick Brown
Chair
March 2022

Report from the Supervisory Committee March 2022

In 2020/21 we saw the departure of our paid part-time compliance officer, and our previous supervisory committee.

I was co-opted to the supervisory committee late in the 2020/21 financial year, and will be fully inducted and able to conduct the supervisory role in 2021/22.

I have a long history of being involved in Credit Unions, I helped to set up the Bulwell Credit Union in the 90’s and early 00’s, becoming their first Chairperson, and later Treasurer, I have also Chaired the Nottingham Credit Union Development Agency, so feel I bring a lot to this role.

Prior to the change in staffing our usual supervisory checks continued, and it is anticipated that a similar schedule of supervisory activity will be conducted throughout the coming financial year, with activities including:

- Reviewing official, employee and family related accounts to confirm they are run in accordance with DCB rules.
- Reviewing bank reconciliations.
- Verifying that loans procedures are carried out accurately and within DCB rules.
- Monitoring compliance by DCB with 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.

The Supervisory Committee will continue to report its findings to the Board on a quarterly basis, and to work with the CEO and the wider staff team in order to agree and instigate suitable changes and improvements should any activity fall short of DCB's expectations, or that of its members.

Arrears continue to be a high priority, and the Board continues to monitor the non-payment of debts and the Credit Union's actions to address these, on a monthly basis. Arrears levels and any trend in the non-payment of debt continue to be reported to the Board of Directors.

We can confirm that we have remained compliant with regulatory requirements.
The Board is keen to appoint new members to the Supervisory Committee and welcomes any interest from attendees at the AGM.

John Filsak
Supervisory Committee
March 2022

Report from the Treasurer March 2022

We faced a more stable year in 2020/2021 and continued our recovery from the effects of the pandemic. We saw an overall audited profit of £12,387.00. Our loan book increased from the previous year.

- **Income & Expenditure**
    - Income exceeded expenditure by 4.1%
    - In the main this was due to reduced expenditure around the provision of bad debt.
    - Grant income reduced significantly from the previous year.
    - Income from loan interest was slightly reduced compared to last year

Balance Sheet as at 30th September 2021:

	2020	2021	% Difference
Total Assets	£1,973,218	£2,094,610	+6.15%
Members' Shares	£1,624,251	£1,711,897	+5.4%
Total Loans to Members	£1,156,340	£1,186,472	+2.6%
Interest on Loans	£399,280	£378,308	-5.25%
Surplus Before Tax	£69,560	£12,387	-460%
General Reserves	£312,958	£325,345	+3.96%

Budget & Business Plan

The business plan for the period 2020-2023 was approved by the board last year, and remains in force.

Compliance

We remain in a strong position 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 5% is exceeded at over 15%.

Dividend

As we have made a small surplus this year we propose paying eligible members a dividend of 0.25% this year.

Pat Butler
Treasurer
March 2022

Receive audited Accounts for Year Ended 30th Sept 2021

EREWASH CREDIT UNION LIMITED
TRADING AS DERBYSHIRE COMMUNITY BANK
DETAILED REVENUE ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Notes	2021 £	2020 £
Income			
Interest income on loans	3	378,308	399,280
Interest income on bank deposits	3	1,095	1,583
Fees and commissions receivable	5	2,011	1,698
Other income	7	9,561	41,926
		390,975	444,487
Expenditure			
Staff costs	11	134,552	129,214
Auditors remuneration		6,500	11,066
Member communication and advertising	8	8,952	12,861
Legal, professional and credit control costs	8	7,854	6,581
Computer and software expenses	8	35,119	26,167
Travel costs	8	1,745	3,837
Bank charges	6	2,068	4,053
General administration costs	8	15,609	17,312
Regulatory costs	9	4,455	3,740
Costs of occupying offices	9	75,428	49,100
Depreciation and amortisation	10	4,331	9,440
Impairment on loans for bad and doubtful debts	15	82,601	121,832
Exceptional item		(3,667)	(29,873)
		375,547	365,330
Surplus before taxation		15,428	79,157
Corporation tax	12	(208)	(557)
		15,220	78,600
Distributions		(2,833)	(9,040)
Surplus for the year		12,387	69,560

Resolutions

- **Resolution on dividend to Members**

- **Resolution on re-appointment of Auditors**

- **Resolutions on election of Directors & Supervisory Committee**

Board members standing down:
Leah Taylor (early in the 2021/22 financial year)

Board members co-opted during the year:
Simon Haslam

Supervisory Committee co-opted during the year:
John Filask

- **Resolution on re-election of all remaining directors and supervisory committee members.**

- **Resolution on election of new Chairperson**

Any Other Business

- **Vote on further Involvement in Derbyshire Community Bank**

- **Any Other Business**

Meeting Close