



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

**14<sup>th</sup>**  
**Annual General Meeting**  
**18<sup>th</sup> March 2020**



**Derbyshire Community Bank**

where **local** really counts

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

## **Notice of the 14th Annual General Meeting**

To be held:  
Wednesday 18<sup>th</sup> March 2020  
1.30pm to 3.00pm  
38 Cornmarket,  
DERBY

### **Agenda**

- Welcome & Introductions
- Apologies
- Minutes of 2019 AGM
- Chair's report
- Supervisory Committee report
- Treasurer's report
- Receive audited accounts to September 2019
- Resolutions on dividend to Members & re-appointment of Auditors
- Election of Directors & Supervisory Committee
- Any other business

## Minutes of last year's meeting:

DERBYSHIRE COMMUNITY BANK  
AGM  
Wednesday, 27<sup>TH</sup> February 2019 at 1.30pm  
Derby Cathedral

AGENDA ITEM	RESOLUTIONS/ACTIONS
<p><b>1) Welcome, Introductions &amp; Apologies</b> Welcome from Mick Brown, Chair of the Board, to our Annual General Meeting.</p> <p>Introductions for the top table included Donald Craig (Auditor) and Pat Butler (Treasurer).</p> <p>Apologies from Sara Osborne (Chief Executive Officer).</p> <p><b>Attendees:</b> Mick Brown, Director &amp; Member Adele Atkinson, Director &amp; Member Pat Butler, Director &amp; Member Simon Taylor, Director &amp; Member Keith Donald, Director &amp; Member Phil Fee, Director &amp; Member Andrew Simpson, SC &amp; Member Georgina Bingham, Member Carole Sherwood, Member Amie Ellis, Member Shane Robinson, Member Pete Hartshorn, Member Val Grahl, Member James Horton, Member Linda Mackay, Member Olive Green, Member Susan Peberdy, Member Roy Smith, Member</p> <p><b>Non-members:</b> Bev Crighton, Director Donald Craig, Auditor Malcolm Wright Hilary White-Evans Ian Newberry</p>	

<p><b>2] Minutes of 2018 AGM</b></p> <p>Minutes approved.</p> <p>It was noted that Andy McBean, Auditor, was incorrectly detailed on last year's attendance list. The Auditor present was Donald Craig.</p>	
<p><b>3] Chairs Report for the financial year ending 30<sup>th</sup> September 2018</b></p> <p>The Chair presented his report in line with submitted papers picking out the key points from the year.</p> <p>No questions raised.</p>	
<p><b>4] Treasurer's Report</b></p> <p>The Treasurer presented her report in line with submitted papers.</p> <p>No questions raised.</p>	
<p><b>5] Supervisory Committee Report</b></p> <p>The Chair of the Board summarised the Supervisory Committee report in line with submitted papers.</p> <p>Currently only one SC member. Request for new members to join SC were sought.</p> <p>No questions raised.</p>	
<p><b>6] Receive the annual audited accounts</b></p> <p>Presented in line with submitted papers.</p> <p>Auditor confirmed his company act for over 40 CU's and all comments were similar in terms of bad debts and funding.</p> <p>The management letter, provided by the Auditors to the Board, included recommendations to improve the level of losses and this had been undertaken where possible but did stress that the level of losses could not continue.</p> <p>Auditors role is to give a 'true and fair view' and can advise no issues or material errors; accounts prepared in accordance with the Communities Act. Entity is a going concern.</p> <p>Unqualified, clean audit report – signed 28/1/19.</p> <p>No questions raised.</p>	
<p><b>7] Resolution on dividend</b></p>	

<p>Motion to pass a resolution to award no dividend</p>	<p>Resolution to award no dividend was agreed by the floor.</p>
<p><b>8] To elect and endorse Board Directors</b></p> <p>Howard George Forster and Paul Whittingham to stand down in accordance with our rules. None to re-stand.</p> <p>Paul Taylor and Bev Crighton were co-opted during the year.</p> <p>Motion to re-elect all remaining Directors and Supervisory Committee Members.</p>	<p>Duly elected.</p>
<p><b>9] Appointment of auditors</b></p> <p>Motion to appoint Alexandra Sloan Accountants as auditors for next financial year.</p>	<p>Resolution to appoint Alexandra Sloan Accountancy was agreed by the floor.</p>
<p><b>10] AOB</b></p> <p>Mick Brown expressed his thanks to Sara Osborne.</p> <p>Keith Donald proposed a vote of thanks to Sara and her team.</p>	
<p><b>Meeting closed at 2.02 pm</b></p>	

## **Chairs Report**

As Chair of the Board of Directors, I am pleased to present my report covering the financial year October 2018 to September 2019. 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**

During the financial year we were approached by Money Spider Credit Union (MSCU) with a view to a merger. MSCU is a very small credit union with its main base in Swadlincote and it is entirely run by volunteers. They recognised that small credit unions, like MSCU, were being left behind in terms of the products and services they could offer; furthermore, it was felt that the regulatory requirements were becoming too onerous for an operation of its size.

It is a common factor in the overall reduction of the number of credit unions in the United Kingdom, that in order to be sustainable, credit unions are having to merge in order to become larger, stronger, and more financially viable. Consequently, the board of DCB took the request to merge very seriously and after undertaking due diligence into the viability of MSCU, the board formed the view that a merger was in the best interests of both credit unions and agreed in principle to the merger since it would give us an increased membership and a stronger potential for future growth.

Members of both CU's were consulted and agreed to the merger which legally took place on 1<sup>st</sup> October 2019.

We have always had the common bond to operate in South Derbyshire but never purposely did due to the fact another CU operated in that area. Money Spider also operated across East Staffordshire and Albert Village and we continue to service those members and surgeries operating in this Borough, and will consider in the future whether we need to extend our common bond or operate with them in the allowable limit of 10% of members outside our common bond.

### **Strategic Planning**

Our annual planning event was held on 21<sup>st</sup> October last year, at our 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:

- 1. Growth and Expansion**
- 2. Financial strategy**
- 3. Regulation and Compliance**

The remainder of this report will consider these key themes.

## 1. GROWTH AND EXPANSION

### Typical customer

The strategy day was instrumental in re-affirming our focus firmly on our main activities i.e. savings & loans, and targeting our typical customers, rather than utilising resources on other activities that offer little return.

The outcome of our customer analysis was as follows:

### Typical customer:

- Predominantly female; White British; 25-35 years old
- Mainly tier 2 – single parent - household income of between £15-30k
- Some tier 1 – couple with children – household income of over £30k
- Household income includes benefits
- Uses mobile banking
- Communicates with us on Facebook
- Uses loans for Christmas, white goods and holidays
- Easy to attract and more forgiving of our processes, will wait a couple of days and accepts she has to provide bank statements.
- Once she knows we are here, she will try us.
- The market she operates in is Brighthouse, Provident etc.

### Non-typical customer:

- Financially fairly comfortable
- Has a mortgage, has a professional occupation
- Wages flat, increasing bills but gives up luxuries to get by
- Uses loans for bigger purchases like a car, major DIY project or luxury holiday
- Saves or uses 0% interest credit card to buy white goods/holidays and then clears it
- Market place is high street banks & building societies

**To attract our non-typical customer, we would need to do three things to be competitive and attractive to them:**

- *Reduce interest rates to compete with banks:* unaffordable
- *Improve processes & technology to banking standards:* we are not able to compete with the speed and processes offered by the banks.
- *Advertise heavily:* even if these customers are aware of us, they think we are a bank for the poor and not for them.

All of this is high resource for little if any real return.

In summary, we concluded as follows:

**In scope** – low resource, high return:

- Typical customer
- Affordable loans
- Simple savings

**Out of scope** – high resource, low return:

- Non-typical customer
- Payroll
- Schools
- Business lending
- Transactional banking

We also focussed on improvements to our technology and processes in order to streamline and speed up our processing of loan applications, including joining and general communications with members.

## Membership

The biggest growth is in our Derby membership which has grown by 31% in the year, with the membership reductions in the Erewash/Amber Valley being consistent across those areas at 5 -7%. This is the first year in which membership in the 'non-city' areas has declined, and is the first year since 2016 when total membership has declined (by 41 members).

We are probably seeing here the effect of our emphasis upon promoting the Bank in the city. However, this is not to imply that the wider county areas are of less importance to us, but it has been necessary for us to work to establish ourselves in the new location. The appointment of our new manager will be key in continuing the push for membership growth across the whole of our area.

	Sept 2017	Sept 2018	Sept 19	+/-	No. change	% change
Ilkeston	1182	1209	1125	-	84	7%
Amber Valley	823	832	789	-	43	5%
Long Eaton	609	596	553	-	43	7%
Derby	308	396	520	+	124	31%
D/Dales	78	112	117	+	5	5%
Totals	3000	3145	3104	-	41	1.3%

Junior membership remains static at 167.

Corporate membership has grown since 2015/16 but remained fairly static throughout the year

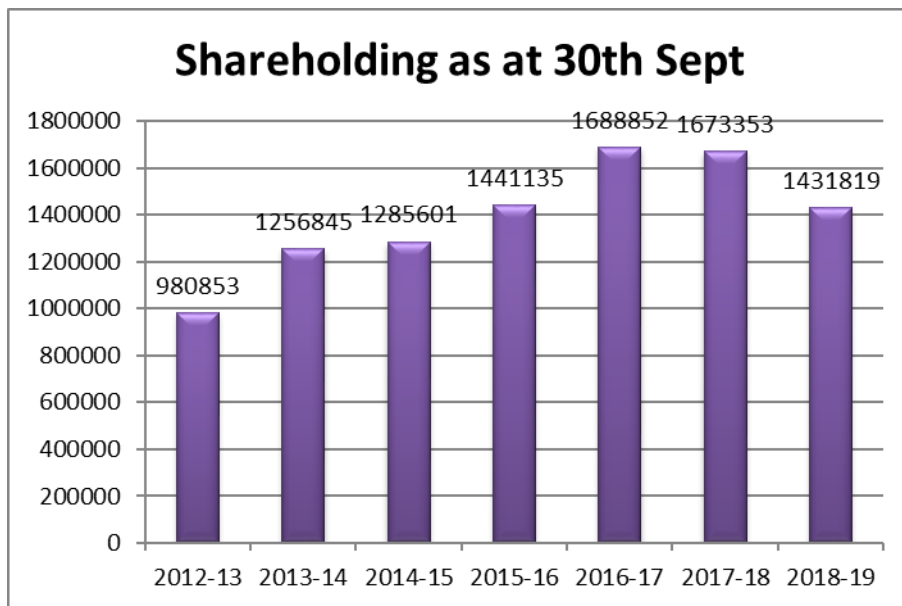
Individual payroll members have grown from 24 at the start of the year to 35 at the end.

## Shareholding

As can be seen from the table, our total shareholding has reduced significantly from the previous year. This has been entirely 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, hence the significant share reduction.



Shareholding will increase from 1st October following the merger with MSCU whose shareholding balance will be added to this.

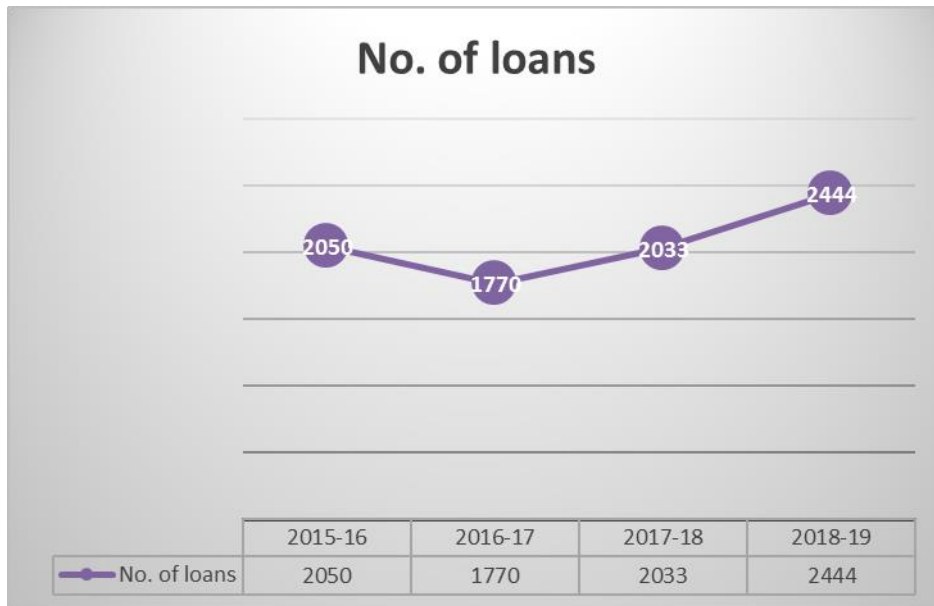
### Lending

**Value of lending exceeds that of the last two years:**



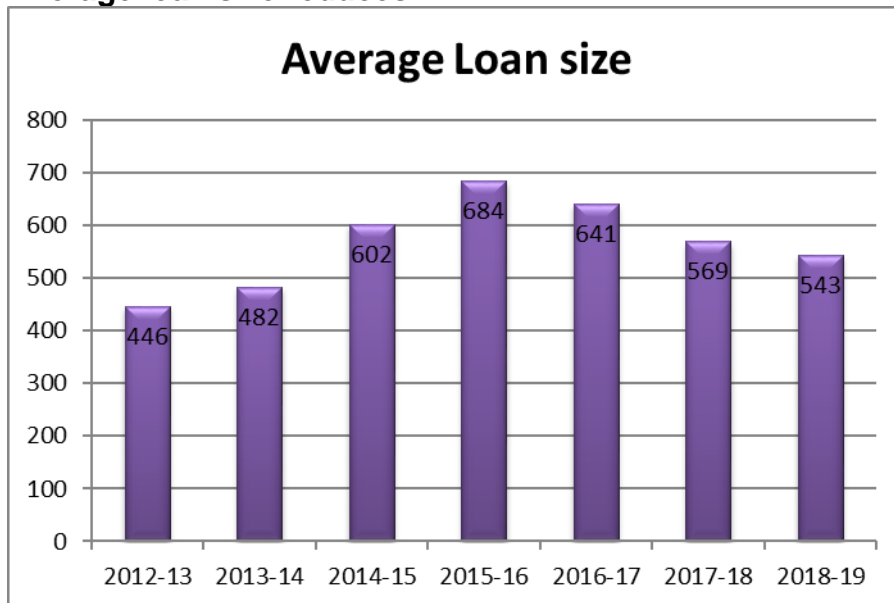
Lending was highest in the age range 26-30 (591) years of age, followed by 31-35 (521), then 36-40 (374).

**Number of loans also exceeds that of the last two years:**



In previous years reports, I have discussed our strategic shift away from higher value to lower value loans - in part occasioned by the fact that lower value loans exhibit less exposure in the case of default. As the table below indicates, this trend has continued.

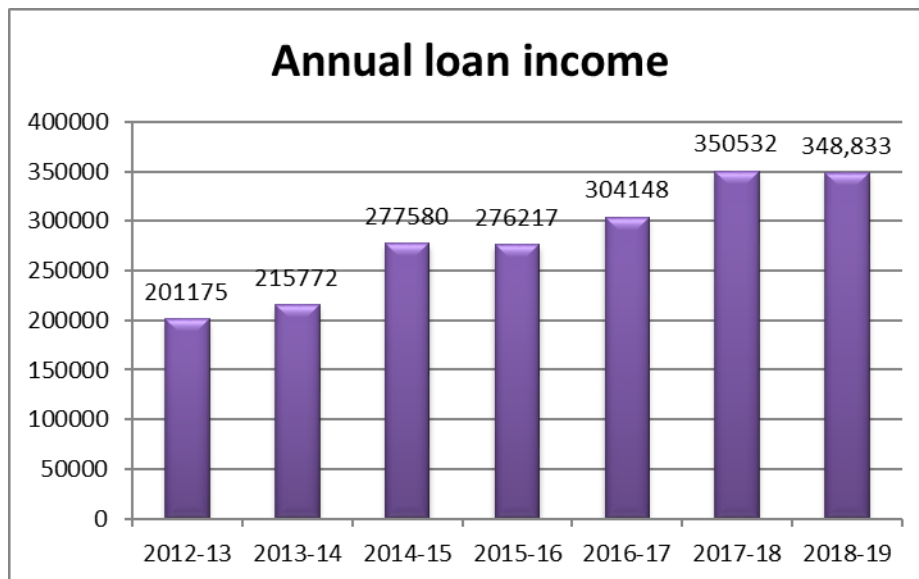
#### Average loan size reduces



It is interesting that, despite a decline in membership in the 'out of city' areas, the number of loans has risen sufficiently to overcome the slight reduction in average loan size, resulting in an overall increase in the total value of loans. This is explained by the fact that significantly more of our new members are looking for loans, rather than savings. It should also be remembered that part of the reduction in membership is explained by the process I described in earlier reports of closing dormant accounts.

Finally, as can be seen from the chart below, our annual loan income has remained fairly static this year.

The challenge for us therefore, is to seek to maintain the growth in the value of total lending (since this provides us with our income) at a time when membership growth has stalled in the 'county' areas, and at the same time, continue to expand membership.



## 2. 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
2017-18	-£37,561	-£66,590
2018-19	-£19,629	-£236

This year we have achieved a small loss of only £236, a significant improvement on last year and our forecast for this year. This was achieved in the main as a result of carrying vacant staff posts throughout the year, but also because our loan income remained strong.

We are now forecasting small profits over the next 3 years even with posts filled, largely because our loan income continues to perform above target, and our bad debts show signs of being contained largely within budget.

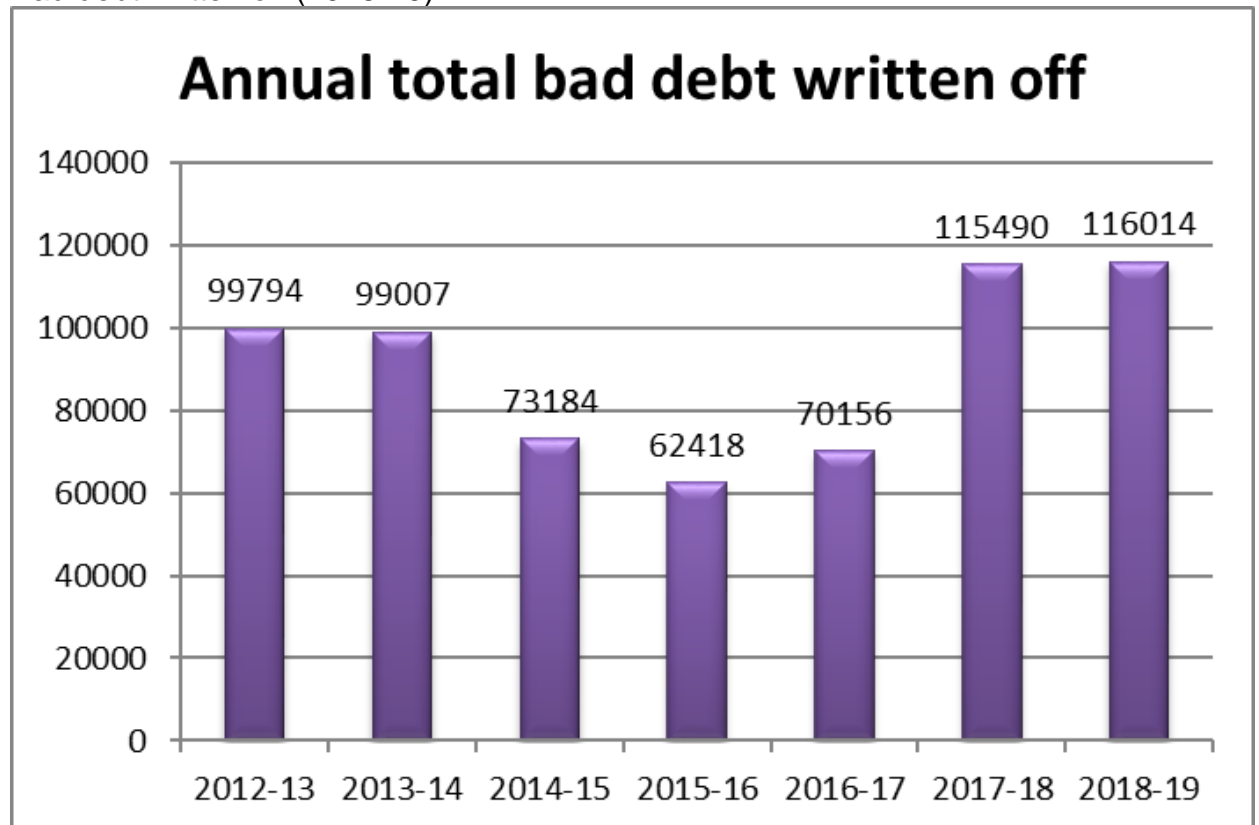
### Year end Bad debt write offs

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.

However, we are not complacent, and the various steps and measures we have initiated in recent years to mitigate and reduce debt delinquency, continue to be operative.

Bad debt written off (2018-19)



#### Year end Reserves

Audited Reserves £243,398 remain strong, particularly if we are able to turn around our trading position each year from one of loss to profit.

#### 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 ratio's were introduced in 2016 by the PRA following a review of the CRED. These ratio's 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', however this remains higher than the peer average and has improved since reducing the ISA interest rate and the value of this product diminishing significantly.

**Key financial ratios** as at 30<sup>th</sup> Sept 2019:

Financial Performance	Regulators indicative ratio	Sept 2019
A. Capital as % of total assets	10%*	14%
B. CU's borrowing as % of total assets	<= 5%	Nil
C. Total shares as % of total assets	>= 70% & <=90%	85%
D. Total bad debt written off (over 12 months) as % of total loans (projected)	<= 10%	7%
E. Net assets as % of sum of total shares & juvenile deposits	>= 105%	118%
F. Bad debt (more than 3 mths in arrears) as % of total loans	<=20%	10%
G. Non-earning assets as % of total assets	<=10%	1%
H. Net zero cost funds as % of non-earning assets	>=200%	1542%
I. Loan income over 12 months as % of total loans	>=6%	28%
J. Net loans as % of total assets (Peer ave 51%)	>= 70% & <=80%	68%

A\*5% based on our size and having ISA's

**Share to loan** ratio is currently 90% which is excellent.

**Dividend**

We do have to consider all of the above in terms of our dividend position, **in light of the current financial position, I am pleased to announce the board is recommending the payment of a dividend for the 2018-19 financial year of 0.5%.**

**2. REGULATION AND COMPLIANCE (GDPR)**

Derbyshire Community Bank has a duty to comply with a range of regulatory and legislative requirements as we are regulated by the Prudential Regulation Authority and the Financial Conduct Authority.

In recent months we have seen a growing demand in compliance. One of which is the recent changes to the General Data Protection Regulation, protecting individuals and increasing their rights. In connection with this, we have undertaken a considerable exercise in destroying personal and confidential information covered by the regulations (particularly in respect of obsolete members) - including manual interventions for data not currently dealt with by our software.

All these details, along with our revised Privacy statement, can be located on our website.

**And finally...**

Our ability to maintain our operations in 2018-19 would have been seriously restricted without the help of a number of partners, in particular: Derbyshire County Council (who continue to provide valuable promotional assistance), Derby Homes, Derbyshire Dales District Council, Amber Valley Borough Council, and, in particular, Derby City Council, whose enthusiasm for promoting our services has been very welcome.

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, 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  
February 2020

## Supervisory Committee Report

Early in 2018/19 we saw the departure of our only Supervisory Committee (SC) Member and unfortunately we have not been able to fill the post during the year.

Fortunately, we are in the enviable position of having a paid part-time Compliance Officer who has continued the monthly audit programme normally undertaken by the SC role, submitting to Board on a regular basis internal audit activities. These 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.

The Compliance Officer is pleased to report that most of the investigations carried out have found that everything is generally in order. There have been a few items of concern that have arisen as a result of staff being under time pressure. These have been resolved by giving staff additional training and more practical experience of the tasks which they are required to cover in the event of an absence.

The Board, continues to monitor the rising level of non-payment of debts very seriously. The topic is reviewed regularly at Board meetings and a sub group has been established to monitor and review the situation.

We can confirm that we are compliant with the following regulatory requirements:

- The credit union is complying with its Single Customer View requirements
- The credit union has adequate insurance
- The credit union carries out additional activities in the form of transactional accounts but has less than 10 of these and they are in compliance with the rules around those activities.

The Board is keen to appoint new members to the SC and welcomes any interest from attendees at the AGM.

## Treasurer's Report

We faced another challenging year in 2018/19, however we saw an overall audited loss of only £236 which was a significant improvement on previous years.

### **Income/expenditure**

This year our income met 99% of our expenditure compared to 86% last year and 76% the year before that. It would seem all the work done by the team to increase income and reduce expenditure is starting to pay off.

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

Whilst expenditure was reduced during the year due to a number of initiatives to reduce costs it was also due to staff vacancies that weren't filled.

### **Balance Sheet**

Member savings reduced due to the reduction in the ISA APR from April 2019 but the loan book has grown slightly by around 6%. Loan income remains fairly static.

	<b>2019</b>	<b>2018</b>	<b>% diff</b>
<b>Total Assets</b>	£1,715,328	£1,972,911	-13%
<b>Member's Shares</b>	£1,431,820	£1,672,491	-14%
<b>Total Loans to Members</b>	£1,184,362	£1,122,531	+6%
<b>Interest on loans</b>	£348,833	£350,531	-1%
<b>Surplus before Tax</b>	-£236	-£65,298	-99%
<b>General Reserves</b>	£243,398	£243,634	-0.1%

### **Budget & Business Plan**

A new three-year business plan 2020-2023 is in the pipeline whilst the annual and three year projected budget were agreed by the Board in 2019. Progress against both of these is monitored by the Board at our monthly meetings.

### **Compliance (as at Sept 19)**

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 5% is exceeded at 14.19% (an improvement from 12.35% last year) and liquidity is x%.

### **Dividend**

In light of the minor loss highlighted in my report I recommend that a 0.5% dividend is paid this year.

Patricia Butler, Feb 2020



**Receive audited Accounts for Year  
Ended 30<sup>th</sup> Sept 2019**

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

*FOR THE YEAR ENDED 30 SEPTEMBER 2019*

	Notes	2019 £	2018 £
<b>Income</b>			
Interest income on loans	3	348,833	350,531
Interest income on bank deposits	3	3,564	1,651
Fees and commissions receivable	5	1,613	1,044
Other income	7	15,800	35,231
		<u>369,810</u>	<u>388,457</u>
<b>Expenditure</b>			
Staff costs	11	124,236	173,821
Auditors remuneration		7,757	7,654
Member communication and advertising	8	13,235	23,098
Legal, professional and credit control costs	8	8,648	14,902
Computer and software expenses	8	23,592	22,415
Bank charges	6	5,361	8,357
General administration costs	8	8,443	11,763
Regulatory costs	9	7,003	6,578
Costs of occupying offices	9	48,888	49,039
Depreciation and amortisation	10	14,439	14,012
Impairment on loans for bad and doubtful debts	15	103,391	122,068
		<u>364,993</u>	<u>453,707</u>
Surplus before taxation		4,817	(65,250)
Corporation tax	12	(421)	(48)
		<u>4,396</u>	<u>(65,298)</u>
Distributions		(4,632)	(2,629)
Deficit for the year		<u>(236)</u>	<u>(67,927)</u>

**Money Spider Credit Union Limited**

**Revenue Account  
for the Year Ended 30 September 2019**

30.09.18			30.09.19	
£	£		£	£
		<b>Income</b>		
	10,249	Interest from members' loans	10,698	
	1,083	Bank interest received	1,223	
	33	Sundry receipts	<u>162</u>	
	60	Entrance fees	38	
	-	Development fund release	-	
	-	Grant Income	-	
10,711	<u>(714)</u>	ESBC Guarantee	<u>-</u>	12,121
		<b>Expenditure</b>		
	-	Directors Expenses	-	
	925	Insurance	<u>918</u>	
	1,023	Fidelity Bond	1,023	
	35	Data protection License	40	
	740	Computer maintenance	693	
	537	ABCUL fees	<u>507</u>	
	184	FSA fees	<u>245</u>	
	960	Rent	<u>960</u>	
	-	Sundry expenses	-	
	1,000	Bad debt provision	3,100	
	1,028	Audit Fees	1,008	
	660	Bad debts	-	
	<u>7,092</u>			8,494
	<u>3,619</u>	<b>Surplus for the year before taxation</b>		<u>3,627</u>
	-	Tax		-
	<u>3,619</u>	<b>Surplus for the year before dividends</b>		<u>3,627</u>
	1,035	Dividend		-
	<u>2,584</u>	<b>Surplus for the year</b>		<u>3,627</u>
	750	Transfer to General Reserve		730
	<u>1,834</u>	<b>Surplus to reserves</b>		<u>2,897</u>

- **Resolutions on dividend to Members & re-appointment of Auditors**
- **Election of Directors & Supervisory Committee**

**Board members standing down during the year:**

Keith Donald  
Simon Taylor  
Paul Taylor

**Board members co-opted during the year:**

Jonathan Smale but resigned 16 Oct 2019

**Longest serving directors to stand down and re-elect:**

n/a

**Motion to re-elect all remaining directors and supervisory committee members.**

- **AOB**