

# Annual Report for 2018

Annual General Meeting  
6 pm Wednesday, 15<sup>th</sup> May 2019  
The Nottingham Mechanics  
3 North Sherwood Street  
Nottingham NG1 4EZ

The logo for Nottingham Credit Union is centered on a teal rectangular background. It features a white stylized 'U' shape above the word 'nottingham' in a lowercase, bold, sans-serif font. Below 'nottingham' is the word 'CREDIT UNION' in a smaller, uppercase, bold, sans-serif font.

nottingham  
CREDIT UNION

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WE ARE VERY GRATEFUL FOR THE SUPPORT OF THE FOLLOWING:

NOTTINGHAM CITY COUNCIL, NOTTINGHAMSHIRE COUNTY COUNCIL, ASHFIELD DISTRICT COUNCIL, BROXTOWE BOROUGH COUNCIL, GEDLING BOROUGH COUNCIL, MANSFIELD DISTRICT COUNCIL, NEWARK AND SHERWOOD DISTRICT COUNCIL, RUSHCLIFFE BOROUGH COUNCIL, NOTTINGHAM COMMUNITY HOUSING ASSOCIATION, NOTTINGHAM CITY HOMES, DIOCESE OF SOUTHWELL AND NOTTINGHAM, SCAPE GROUP, NOTTINGHAM ENERGY PARTNERSHIP, BOOTS UK, NOTTINGHAM UNIVERSITY

## 1. Minutes of the 2018 Annual General Meeting

Liz Blackman (Chair) welcomed everyone to the meeting and apologies were received from Sam Webster and Peter Cowley.

Present: Liz Blackman, Paul Worsnop, Clive Rix, Moby Farrands, Paddy Emmerson, Philip Elliott, Fraser McNish, Ella Ferris, Kris Whitsed, Sarah Ferguson, Adam Doy, Debbie Thompson, Callum Toone, Margaret Worsnop, Miles Mather, Les Smith, Betina Legore, Les Michalak, Janice Webb, Avril Turner, Parbinder Singh, Rod Langford

The Minutes of the 2017 AGM were approved.

### Chair's Report

- There were a number of new staff arrivals including a new Branch manager at Maid Marian Way and 3 other part-time staff
- Our Mansfield Branch continued to widen its membership and build business.
- The Boots' Payroll initiative was launched
- The IT network was improved and made more resilient
- Callcredit became our main credit reference agency
- Staff continued to receive monthly training
- The Board membership remained stable
- Some Directors received ABCUL training on Governance (a rolling programme)
- Directors and staff attended the quarterly East Midland Credit Union Forums
- Paul Worsnop the Vice Chair and a Member for many years will be leaving NCU and retiring to Derbyshire. Many thanks to him for all his hard work
- We moved to reducing the amount of cash in Branch to protect Members from carrying large amounts of money to and encourage them to use transfers direct to their bank accounts
- As a movement we continued to exchange knowledge with local Credit Unions and give each other support

### Treasurer's Report

- More than £2m was lent out
- Loan interest at £370.971 was 5.1% higher than the previous year
- The net Loan Book ended the year at £1.87m
- At £3.24m total assets increased by 15.5%
- Members' deposits increased by 17.5% to £2.95m aided by new Boots' members
- NCU made a surplus after tax of £3,878
- Grant income fell

### Audit and Risk Committee Report

- Paddy Emmerson took over as Chair
- PWH carried out some internal audit work on loans and withdrawals
- RSM Accounting were appointed and covered FCA Compliance and Key Financial Controls

- Both reviews were valuable in highlighting areas where there was scope for improvement
- The Risk Register continued to be reviewed and amended
- Began a major review of our Policies

#### Money Laundering Reporting Officer report

- Staff, the Board and the MLRO received training to ensure full compliance with regulations and this will become an annual activity
- Suspicious activity was reported to the MLRO who where necessary passed it on to the Serious Organised Crime Agency

#### Decisions

- 1) The Minutes of the previous AGM were approved
- 2) Annual accounts and reports were approved
- 3) Dividend of 0.1% was approved
- 4) PWH Accountancy Ltd were appointed as auditors
- 5) Peter Cowley and Clive Rix were elected as officers

## 2. Chair's Report

2018 saw a number of significant changes at Nottingham Credit Union.

Ella Ferris, our General Manager for the previous 5 years, left to take up a management position at Age UK. On behalf of the Board I thank her for all her hard work.

In July, using a rigorous selection process, the Board interviewed a strong field of candidates and appointed Jason Eaves as our new General Manager. Jason has a significant and successful background in both the banking and the free to consumer debt management sector. He used (and is using) his experience to bring change and add further value to NCU.

Processes were strengthened, the website was made more accessible, targeted messages to Members significantly improved the Christmas Loan Book, relationships with stakeholders were developed and our media profile was raised. The safeguarding that our Regulators (the Prudential Regulation Authority and Financial Conduct Authority) demand was further enhanced.

Thanks to Clive Rix, all our policies were updated and a mechanism for reviewing and monitoring them is in place.

Janet Webster who worked at NCU for a very long time took her well earned retirement. Other staff moved on too and transferred their experience to Nottingham City Council, a training company and a firm of accountants.

Rachel Edwards, who has a Building Society and Banking background, joined us as a Loans Officer and Claire Nicholls from Derbyshire Community Bank came as our new Credit Control Officer.

I thank the remaining staff and volunteers for both welcoming these new arrivals and for embracing all the changes and new ways of working that have been implemented.

The Board remained stable and continued to bring a range of skills and knowledge from different backgrounds. However Philip Elliott left us on 31 December to concentrate on his very successful debt collection business. He gave a significant amount of time and expertise to us over 4 years.

Some Directors had ABCUL training on Governance. (This is done on a rolling programme). Directors and staff attended regular meetings of the East Midlands' Credit Union Forum to keep abreast of latest developments and share their knowledge. Clockwise and Commsave have been particularly supportive.

Finally I should like to pay tribute to our many partners who continue to give their invaluable support and advice. (See list).

The Treasurer's Report gives a comprehensive financial picture of progress in 2018 and shows we are broadly travelling in the right direction to make Nottingham Credit Union more sustainable, responsive and successful.

The Board is optimistic but not, however, complacent regarding our prospects in 2019 and is seeking to add further Director expertise. Going forward we aim to provide an even better service to current and future Members.

**Liz Blackman**

**Chair**

### 3. Treasurer's Report

In 2018 our credit union experienced further progress on our path to financial sustainability without grant funding, and further significant growth. Our total assets nearly reached £4 million at the end of October, before falling back in November and December as members withdrew savings for Christmas, ending the year at £3.71 million, a very healthy 15.7% increase following the 15.5% increase in 2017. The net loan book grew even faster - ending the year at £2.31 million, up 25.6% over the year. Member deposits increased by 15.5%, to £3.41 million.

We are required by our regulators to hold minimum levels of capital to ensure that our members and our credit union are protected against a rainy day. The very strong growth in total assets would have placed severe pressure on our Capital to Assets Ratio (CAR, the key measure of capital requirements) but we were fortunate to be awarded £40,000 by the Lloyds Banking Group specifically to bolster our capital. As a result, our CAR ended the year at 6.5%, a slight increase on the 6.2% at the end of 2017. This was well above our minimum regulatory requirement of 5%.

The financial outcome was again satisfactory, with a surplus after tax of £3,644. Loan interest was higher than 2017, bad debt costs lower and admin costs lower as we found efficiencies and cut back on publicity spend. However, these improvements were largely offset by a further reduction in grant funding, which, at £46,016, was 42% lower than last year.

Active adult membership (excluding corporate accounts) was unchanged over the year, at 7,190, despite a further boost from our Boots Christmas Savings scheme, as new recruitment (which remains healthy) continued to be offset by dormancy amongst longer standing members who no longer require our services. Mansfield, where our new branch office is proving very successful, continues to be the area where growth is greatest.

#### **Approval of accounts**

We are pleased to report that, once again, our auditors, PWH Accountancy Ltd have given us a clean bill of health. A summary of the key points from our accounts follows on the next two pages. Full accounts are available on our website and a hard copy is available to all members on request.

The Board proposes the acceptance of the Annual Accounts

#### **2018 Dividend**

The surplus was similar to that in 2017, so your Board feels it would not be prudent to increase the recommended dividend and we propose to maintain the 0.1% we paid last year. We will pay this immediately on all eligible deposits other than Christmas Savings. We will pay the same amount on Christmas Savings accounts as an interim dividend on 1<sup>st</sup> November 2019. There is no change to the interest rate on our Regular Savings ISA, which remains at 1.5%.

#### **Prospects for 2019**

The Board believes the prospects for 2019 are very good. The rates of growth seen in 2016, 2017 and 2018 are continuing and, if anything, gaining in strength, while operating costs

remain under firm control. Bad debt remains a concern, particularly as the austerity regime continues and we have yet to see the full impact of the introduction of Universal Credit.

As last year, we will see a further reduction in grant funding. The Nottinghamshire County Council and Mansfield District Council grants to support our shop in Mansfield ended last year and our Operating grant from Nottingham City Council ended in March. We greatly appreciate the support of these organisations over recent years and fully understand the financial pressures they are under. The result will be that grant funding this year will be less than half of last year and that next year we are likely to have none at all. This means there is little prospect of an increase in the dividend, either this year or next but we hope to be able to reward our members properly for the use of their money from 2021, subject to our ability to maintain our CAR at the required levels.

### **Appointment of Auditor**

Towards the end of 2017, Audit & Risk Committee carried out a tender exercise for the appointment of auditors for a three year period, subject to members' approval. The successful candidates were once again PWH, and so the Board proposes the appointment of PWH Accountancy Ltd as our auditors for 2019.

**Clive Rix**

**Treasurer**

## 4. Summary Annual Accounts 2018

<b>Summary Balance Sheet</b>	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
<b>Assets</b>		
Tangible Fixed Assets	11,923	0
Cash and cash equivalents	1,335,447	1,308,834
Loans to members	2,924,552	2,688,380
Less impaired loans	-613,718	-821,435
Other assets	53,767	60,105
<b>Total assets</b>	<b>3,711,970</b>	<b>3,235,884</b>
<b>Liabilities</b>		
<b>Total liabilities</b>	<b>59,495</b>	<b>85,228</b>
<b>Net assets</b>	<b>3,652,475</b>	<b>3,150,656</b>
<b>Subscribed capital</b>		
Ordinary members shares	3,162,706	2,730,311
Corporate members shares	96,922	94,659
Junior members shares	108,279	100,744
ISA Accounts	41,464	22,690
Dividends proposed	2,942	2,617
<b>Total subscribed capital</b>	<b>3,412,314</b>	<b>2,951,021</b>
<b>Retained Earnings</b>		
Reserves	185,162	144,635
Deferred Shares	55,000	55,000
<b>Total retained earnings</b>	<b>240,162</b>	<b>199,635</b>
<b>Total subscribed capital and retained earnings</b>	<b>3,652,475</b>	<b>3,150,656</b>

<b>Summary Income and Expenditure</b>	<b>2018</b>		<b>2017</b>
	<b>£</b>		<b>£</b>
<b>Income</b>			
Net interest income	374,168		370,749
Net fees and commission receivable	-5,367		-3,684
Grant Income	45,016		57,475
Other income	29,055		29,442
<b>Total income</b>	<b>442,872</b>		<b>453,982</b>
<b>Expenditure</b>			
Salaries and wages (including volunteer cost)	218,771		216,808
Administration cost	99,889		97,681
Depreciation and amortisation	2,500		0
Other operating expenses	21,996		27,297
Impairment Cost	94,978		107,906
<b>Total Expenditure</b>	<b>438,134</b>		<b>449,692</b>
<b>Surplus for the year before taxation</b>	<b>4,738</b>		<b>4,290</b>
<b>Taxation</b>	<b>993</b>		<b>413</b>
<b>Surplus for the year after taxation</b>	<b>3,745</b>		<b>3,877</b>

## 5. Audit & Risk Committee Report

During the year, the Audit and Risk committee met every 2 months focussing on reviewing and revising, where appropriate, all of our policies and consolidating into one Policy manual. This was in progress and noted at last year's AGM, and has now been completed. There is now a timetable, which ensures that all policies are reviewed at least annually by the board. In addition, we have also set up monitoring procedures, the outcomes of which are considered at the monthly Board meetings. Our special thanks go to Clive Rix for all his hard work in making this happen.

The Risk register is reviewed at every 2<sup>nd</sup> Audit and Risk meeting and changes made where appropriate.

RSM, our Internal auditors, completed an HR review with no significant findings. Due to some significant changes and improvement to our Underwriting procedures, we have delayed that review until July this year so that the new procedures are reviewed. Credit will then be reviewed in October.

At the start of the year, membership of the committee consisted of:

- Paddy Emmerson (Chair)
- Liz Blackman
- Clive Rix
- Ella Ferris (General Manager)
- James Ferguson (Finance Officer)

Jason Eaves replaced Ella Ferris with effect from 1<sup>st</sup> September.

### **Paddy Emmerson**

#### **Chair of Audit & Risk**

## 6. Money Laundering Report Officer Report

The role of the MLRO carries significant responsibility and should be undertaken by an appropriately experienced individual.

An MLRO should be in a position of sufficient responsibility to enable them to have access to all of the business's client files and business information to enable them to make the required decisions on the basis of all information held by the business.

The identity of the MLRO is only known internally to Staff and Board.

During the year training has taken place for the staff, the Board and MLRO to ensure full compliance with regulations. During the year reports of suspicions have been made to the MLRO and where necessary passed on to SOCA (Serious Organised Crime Agency). It has been agreed to undertake annual training for all staff and relevant volunteers. Training materials have been updated and now include a test with minimum standards.

## 7. Attendance of Officers

	January	Feb.	March	April	May	June	July	August	Sept.	October	Nov.	Dec.	
Liz Blackman	✓	✓	✓	✓	✓	✓	✓	✓	✓	X	✓	✓	92%
Peter Cowley	X	X	✓	X	X	X	X	X	✓	✓	✓	✓	42%
Philip Elliott	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	X	✓	92%
Paddy Emmerson	✓	✓	X	✓	✓	✓	X	✓	✓	✓	✓	✓	83%
Moby Farrands	X	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	92%
Fraser Mcnish	✓	✓	X	✓	✓	X	✓	X	✓	✓	X	✓	67%
Clive Rix	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	100%
Cllr Sam Webster	✓	✓	X	✓	X	✓	✓	✓	X	✓	X	✓	67%
Paul Worsnop	✓	X	✓	✓	Resigned							75%	

## 8. Motions to the AGM

No special motions have been proposed for the AGM this year.

## 9. Election of Officers

The following directors have completed their three year term of office:

Moby Farrands

Sam Webster

Both are standing for re-election for a term of three years.

In addition, nominations have been received from the following two candidates:

Rachel Duffey

Chris Ball

As there are only five continuing directors, electing all four would leave us below the maximum number of directors agreed by the members at the AGM on 2<sup>nd</sup> April 2014, which is 10. The Board therefore proposes the re-election of Moby Farrands and Sam Webster, and the election of Rachel Duffey and Chris Ball.