

Annual Report for 2017

Annual General Meeting

6 pm, 18th April 2018

The Nottingham Mechanics

3 North Sherwood Street

Nottingham NG1 4EZ



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WE ARE VERY GRATEFUL FOR THE SUPPORT OF THE FOLLOWING:

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

1. Minutes of the 2017 Annual General Meeting

Liz Blackman welcomed everyone to the meeting and no apologies were received. 29 in attendance including 5 directors and 6 staff

Chairs report

- Board has a wide deal of expertise and carried out training on Anti-Money Laundering and Governance
- New mobile app launched to make access to NCU easier
- Current Account closed and majority of members transferred to prepaid card
- Common Bond was extended to allow all Boots UK staff to join
- Proposal to use RSM as professional internal auditors
- Acknowledged the support and partnerships developing between East Midlands Credit Unions
- Concerns were raised about the security implications of an ATM at Mansfield – however full risk assessment has been carried out and Board are happy with it.

Treasurers report

- Loan book increased by 10% and deposits increased by 4.5%
- Deferred shares from Scape Group and Nottingham Community Housing Association boosted our Capital Assets Ratio and were welcomed.
- Loan interest was 18.2% higher than 2016
- Anticipated increase in Bad Debt following very low year in 2016
- Membership growth mainly in Mansfield area

Audit & Risk Committee report

- Met 5 times to review Risk Register and Internal Audit
- Paddy Emmerson to take over as Chair as Paul Worsnop stood down

Money Laundering Reporting Officer (MLRO) report

Staff and board training has taken place.

All reports to Serious Organised Crime Agency are confidential.

Decisions

1. The minutes of the previous AGM were approved.
2. Annual accounts and reports were approved
3. Dividend of 0.25% was approved
4. PHW were appointed as auditors
5. Liz Blackman, Paddy Emerson and Fraser McNish were all elected as officers

2. Chair's Report

Nottingham Credit Union continued to make progress in 2017 (see Treasurer's Report).

There were a number of staff changes in 2017. The Operations' Manager left us and we welcomed Kris Whitsted as Maid Marian Way Branch Manager. He has a banking background. Our Credit Control Officer moved on to other employment. This post has been covered by an internal appointment. We receive some support and advice from an external consultant in this area. We were also joined by three other part time staff, one of whom is funded by Mansfield District Council

Our Mansfield branch continued to widen its membership and build business. The Branch is now open 4 days a week and has an ATM. The Maid Marian Way Branch closed on Saturday mornings.

Our Boots' Payroll initiative was launched in April and 800 members signed up initially. Membership has continued to grow every month. Boots is the largest company in the UK that has ever signed up with a community based credit union and we are proud of this.

Our IT network is better protected, quicker to access and more resilient. It provides cyber security protecting our Members funds. The Board also agreed the finances to purchase a new virtualised server.

It was decided to use Callcredit as our main credit reference agency; this remains work in progress and also to use Barclays for one of our main accounts. This changeover is well on the way. Both these initiatives will reduce our costs.

The staff has continued to receive monthly training to enhance the service we provide. I should like to thank them for their hard work and commitment.

The Board has remained stable. It has a great deal of expertise: - accountancy and finance, housing, business, local government, community, HR and IT. Paul Worsnop the current Vice Chair, and former Chair of Audit and Risk, who has been on the Board for 9 years, is retiring and moving to Derbyshire. We thank him for all his hard work and commitment and wish him well.

Some Directors had ABCUL training on Governance. (This is done on a rolling basis). Also staff and Directors attended the regular East Midlands Credit Union Forums where presentations were given by local and national experts on many of the issues directly affecting the Credit Union movement.

We held an Away Day last September to discuss longer term strategic operational issues. Amongst other topics, we recognised that it is not safe for our Members to leave with substantial amounts of cash, when electronic funds are safer and more flexible. We also recognised the safety issues around Members taking in large amounts of cash. So we decided we would also give them more encouragement to take up our offer of free money transfers direct to their bank accounts and pre-paid cards. We also agreed that we need better and more functional premises and decided to start looking now as the lease on Maid Marian Way expires in 2019.

I should like to thank the whole Board for their considerable input.

As a movement we continued to exchange knowledge and support between local Credit Unions and especially Clockwise (Leicestershire), Erewash (now Derbyshire Community Bank) and Commsave. We are grateful to them too.

Finally I should also like to pay tribute to our many partners (see list) who continue to be invaluable in their support and advice.

Liz Blackman

Chair

3. Treasurer's Report

In 2017 our credit union experienced further progress on our path to financial sustainability without grant funding, and further significant growth. Two milestones were reached in 2017. We lent out more than £2 million pounds in loans and our total assets exceeded £3 million, both for the first time. Total assets, at £3.24 million increased by a very healthy 15.5% over the year. The net loan book ended the year at £1.87 million a very healthy increase over the year of 12.8%. Member deposits increased by 17.5%, to £2.95 million. A significant part of the increase was from our new Boots members who, despite the fact that they signed up for Christmas Savings, did not withdraw all their savings at Christmas.

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. Our Capital to Assets Ratio (CAR, the key measure of capital requirements) ended the year at 6.2%. This was down from 7.1% in 2016 because of the significant increase in assets, but was still well above our minimum regulatory requirement of 5%.

The financial outcome was again satisfactory, with a surplus after tax of £3,878. Loan interest, at £370,971, was 5.1% higher than last year. This was lower than the increase in the loan book because there has been a focus in increasing the proportion of larger loans at lower interest rates, principally through payroll deduction. However, further falls in the level of grants we receive and other reductions meant that the overall increase in income was only 1.5%. At the same time, operating costs rose 2.5%, despite significant reductions in administration costs. In particular, we invested more in our staff (costs up 6.6%) and there was a further increase in bad debt (up 8.5%). Consequently, the surplus was only half the level of 2017.

Total membership (excluding corporate accounts) was boosted significantly by the introduction of Boots Christmas Savings, where we gained 900 members in the first month. As a result, active adult membership increased from 6,661 to 7,280. Within our traditional common bond, however, new recruitment (which remains healthy) continues to be largely 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. A significant proportion of our grant income comes from Nottinghamshire County Council and Mansfield District Council to support this operation.

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

2017 Dividend

In view of the reduced surplus this year, your Board feels it prudent to reduce the recommended dividend from 0.25% last year to 0.1% this year on all eligible deposits other than Christmas Savings. We intend to pay the same amount on Christmas Savings accounts as an interim dividend on 1st November 2018. To pay a higher dividend would have meant calling on reserves at a time when we need to be conserving capital. There is no change to the interest rate on our Regular Savings ISA, which remains at 1.5%.

Prospects for 2018

The Board believes the prospects for 2018 are very good. The rates of growth seen in 2016 and 2017 continued, while operating costs remain under firm control. Bad debt has been increasing over the last two years but our main strategic concern is to increase the amount of money we have out on loan. Currently only 64% of our assets are out on loan, and we need this to be nearer 80%. If we could achieve this at our current loan interest and bad debt rates, we would be £60,000 a year better off and no longer in need of grant funding. If at the same time, we could bring bad debt down to the levels of two years ago we would be more than £100,000 a year better off and in an excellent financial position.

The Nottinghamshire County Council grant support is for three years and finishes on 30th June 2018. We have applied for further funding for 2018-21. The Mansfield District Council grant to support longer opening hours in Mansfield runs through the year and Nottingham City Council have agreed further support for 2018/19, so we believe we have all the grant support we need for the coming year. The key, as always, will be to increase our rates of lending while keeping costs and bad debt under control.

Appointment of Auditor

Towards the end of 2017, Audit & Risk Committee carried out a tender exercise for the appointment of auditors for 2018. The Board is pleased to announce that the successful candidates were once again PWH, and so the Board proposes the appointment of PWH Accountancy Ltd as our auditors for 2018.

Clive Rix

Treasurer

4. Summary Annual Accounts 2017

Summary Balance Sheet	2017		2016
	£		£
Assets			
Total cash and cash equivalents	1,308,834		1,084,345
Total loans to members	2,688,380		2,433,461
Less impaired loans	-821,435		-778,812
Other assets	60,105		62,488
Total assets	3,235,884		2,801,483
Liabilities			
Total liabilities	85,228		90,993
Net assets	3,150,656		2,710,490
Subscribed capital			
Ordinary members shares	2,730,311		2,310,369
Corporate members shares	94,659		83,818
Junior members shares	100,744		102,641
ISA Accounts	22,690		9,211
Dividends proposed	2,617		5,863
Total subscribed capital	2,951,021		2,511,902
Retained Earnings			
Reserves	144,635		143,588
Deferred Shares	55,000		55,000
Total retained earnings	199,635		198,588
Total subscribed capital and retained earnings	3,150,656		2,710,490

Summary Income and Expenditure	2017	2016
	£	£
Income		
Net interest income	370,749	352,779
Net fees and commission receivable	-3,684	2,939
Grant Income	57,475	66,565
Other income	29,442	25,148
Total income	453,982	447,431
Expenditure		
Salaries and wages (including volunteer cost)	216,808	203,328
Administration cost	97,681	102,387
Other operating expenses	27,297	33,515
Impairment Cost	107,906	99,407
Total Expenditure	449,692	438,637
Surplus for the year before taxation	4,290	8,794
Taxation	413	1,026
Surplus for the year after taxation	3,877	7,768

5. Audit & Risk Committee Report

Paddy Emmerson took over from Paul Worsnop as chair of the Audit and Risk committee in April 2017. Since then, the committee has met every 2 months.

As reported last year, following the decision of the 2016 AGM to disband the Supervisory Committee and replace it with external consultants with the appropriate qualifications, we initially used our auditors, PWH to carry out some internal audit work. However, during 2017 we appointed RSM Accounting, who are specialists in the field, as our Internal Auditors to conduct reviews of our systems, to a timetable set by the committee. We plan to cover 3 topics per year and for each topic they provide a report on their findings, together with recommendations to improve our controls. To date we have completed reviews into:

- FCA compliance
- Key Financial Controls.

These reviews have been enormously valuable in highlighting areas where there is scope for improvement in our systems.

The plan for 2018 is to cover:

- HR
- GDPR

- Credit Control
- IT.

We also continue to review and amend the Risk Register so that we are aware of any potential risks to the NCU, and to monitor our compliance with the ABCUL Code of Governance.

During the year we have also started on a major review of all of our Policies to ensure that we have policies to cover all relevant areas. Each policy is then considered by the Board and will be reviewed annually. We keep a register of all policies either completed, in progress or yet to be started with dates for action. This register is accessible by the Board

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

	Jan	Feb	March	April	May	June	July	August	Sept	Oct	Nov	Dec	Attendance
Liz BLACKMAN	√	√	√	√	√	√	√	√	√	√	√	√	100%
Clive RIX	√	√	√	√	√	√	√	√	√	√	√	√	100%
Paul WORSNOP	x	√	√	√	x	√	√	√	√	√	x	√	75%
Peter COWLEY	√	x	x	x	√	x	x	x	x	√	√	√	42%
Moby FARRANDS	√	√	√	√	√	x	x	x	√	√	√	√	75%
Sam WEBSTER	√	√	√	√	x	√	√	√	x	√	√	√	83%
Philip ELLIOTT	√	x	√	x	x	x	√	√	√	√	x	√	58%
Paddy EMMERSON	√	√	√	√	x	x	√	√	x	√	√	√	75%
Fraser McNISH	√	x	x	√	x	√	x	x	√	√	x	√	50%

8. Motions to the AGM

No motions have been proposed for the AGM this year.

9. Election of Officers

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

Paul Worsnop

Peter Cowley

Clive Rix

Peter and Clive are standing for re-election for a term of three years but Paul is not standing again. The Board proposes the re-election of Peter Cowley and Clive Rix.