Minutes of AGM 2023

Jane Toole, the President, declared the meeting open and welcomed all Members and Guests to the AGM via Zoom.

In attendance

33 members in attendance and four panellists. It was confirmed that the AGM was quorate.

Apologies

There were no apologies received.

Minutes of the previous meeting

It was confirmed that no written questions had been submitted on the minutes of the 2021 AGM tabled at last year's AGM. The minutes of the 2022 AGM had been made available to all members attending this year's AGM for review. These were approved by the members.

Address by the president

I am Jane Toole, president of Leeds City Credit Union. I've been a board member for five years and served as president since March 2022. We decided to hold our AGM online this year to make it as easy as possible for all our members, particularly those not based locally to attend.

At last year's AGM, the outgoing president talked about the fact that COVID was hard on the credit union. We are still feeling the effects of this, but considerable progress has been made since then in first stabilising and then improving and developing the business.

Paul Kaye, our CEO, will shortly give you some more detail about this, but I would just like to mention one new initiative, in particular. To be sustainable for the long term and to provide a better service to all our members, the Credit Union needs to grow and generate surpluses to invest in people, products and technology. Via our partnerships with housing associations and employers, we have for a long time had members outside of heartland areas in Leeds, Wakefield, Harrogate and Craven. Last year we went a step further and expanded our services to residents of the London borough of Barking and Dagenham through a new partnership with the LBBD Council.

May I take this opportunity to welcome our new LBBD members to the LCU family. Expanding our membership and building on the key relationships that we already have with local councils will, we believe, be for the benefit of both existing and new members wherever you are in the country. And we are delighted to be able to offer our affordable, flexible products and services more widely and help even more people in these difficult times. Looking ahead, we see many uncertainties and challenges, so we will continue to remain prudent and cautious. We have lots of exciting plans for the future, but I assure you that we will always take care that our enthusiasm for expanding and improving our offering to members never runs ahead of our ability to make changes safely.

Change is a constant theme within all organisations and the credit union is no exception. We have welcomed some great new members of staff this year and said goodbye to some lovely colleagues as well. I'm very grateful to all the team, past and present for their continuing efforts on behalf of members. In such a small organisation, everyone has to be prepared to muck in and help out others and the passion, flexibility and ownership shown by our staff is definitely one of the secrets of our success.

We've also welcomed a new director to the board in the last 12 months, and another is standing for appointment this evening to replace Malcolm Christie, who is retiring. Personally, I find it very encouraging that so many busy and experienced people are prepared to give up their time for free to assist the credit union and I would like to thank all directors for their support to me over the last year.

A special thank you goes to Malcolm, who has supported the credit union over many years during two periods as director and one as president. If you as members want to know more about who is on the board of your credit union, we now have a section on our website that will give you a brief biography of each director.

One other changes in personnel also needs a special mention. Paul Kaye has been the CEO of the credit union for the last two years. He was appointed at a very difficult time for the organisation and has worked tirelessly to find out where there were issues and then address them and, by doing so, to bring us to the much better position that we're in today. For personal reasons, he's now chosen to move on, but I am delighted to announce that we have recruited Mark Fleet to take over from him. Mark is an experienced financial services professional who shares the board's commitment to both the credit union’s social purpose and its modernising agenda. Thank you, Paul, for all you have done for the credit union. Welcome, Mark. I look forward to working with you and the team to continue the progress that has been made under Paul's leadership. I will now hand it over to Paul for the Chief Executive's report.

Chief Executive’s Report

Thank you, Jane. And thank you for those kind words. It's been a privilege to serve LCU members over the last two years. The credit union has come a long way in that time in what has been a very difficult environment, including the impact of the pandemic, rising inflation, cost of living challenges and reductions in external funding.

Credit unions, by their very nature, have an inherent balance. The dichotomy of trying to help and support as many people as possible, especially the vulnerable and financially excluded, whilst being able to generate surplus and reserves to not only meet our regulatory responsibilities but to reinvest into the members' needs and the business. This requires a very narrow path to be trodden and a balancing act of commerciality on the one hand and offering non-profitable services and support on the other.

A credit union, therefore, also needs support: support from its members, support from external stakeholders such as local councils, support from regulators, support from the government, support from other organisations that are interested in creating less financial exclusion and support from other credit unions.

Working together across multiple stakeholders requires a shared vision. If we can create financial resilience, a lot of other societal issues get resolved. For example, there will be less sickness and absence due to financial stress, leading to greater productivity in the workforce, and less pressure on key services such as the NHS. If the credit union sector is to thrive in the future and meet the needs of its membership, boards and leadership will have to adapt.

The CEO needs belief and confidence from the board alongside support from their colleagues in the credit union. All stakeholders need to share a vision to move the credit union to a sustainable model that will survive and thrive. Not easy, given the limited resources available. It requires full commitment and desire not to let the perfect get in the way of the good. There is no time to waste. Pace, momentum and growth are essential.

Turning now to our credit union and the highlights of the 2021-2022 financial year, I'll leave most of the numbers to the Chair of the Audit and Finance Committee to cover, so I'll focus on some other key areas.

During the year, we had to move our head office due to the Council requiring us to vacate our previous location. I'm pleased to say we successfully achieved this at a little additional ongoing cost. We now have a modern office, a better working environment to attract and retain colleagues, a greener footprint and more resilient connectivity. We have recruited 18 people and strengthened a number of areas, including the senior leadership team, collections, projects and business development.

We also remain a real living wage employer and now achieve strong scores in our employee opinion surveys. We've expanded our footprint and distribution through an exciting partnership, as Jane mentioned, with the London Borough of Barking and Dagenham, and we welcome new members from that area. We have also launched an aggregator channel, which gives us an opportunity for more people to use the credit union.

We've improved our member services, including faster payments, open banking and card payment facilities. We have launched a new app and website with greater functionality, including the ability to open accounts online and allow members to self-serve and find information. Our product range has been improved, offering loans based on credit profiles.

We've enhanced our family loan and offered market-leading rates, and some of our products saved our members over £5 million compared to high-cost lenders. We are pleased to have lent £7.2 million in the year, a market-leading increase of 40% on the previous year. Importantly, we've improved our collections process and maintained our risk profile. With arrears and bad debt under control and in line with budgets whilst being sensitive to our vulnerable members and the need for forbearance, rightly, this has led to a net loan growth of 15% over the year and this has continued to grow since year end.

Payroll memberships have increased by 7% and payroll lending increased by £800,000. We've also raised the profile of the credit union with meetings held with the CEO of the Financial Conduct Authority, the CEO of Wakefield Council, the Minister for Finance in Ireland, the Bank of England, the Mayor of Leeds, the Rt Hon Hilary Benn MP and I was honoured to represent the credit union to King Charles on his recent visit to Leeds. We were also featured in the Sunday Times.

During the year, we ended our relationship with Headrow Money Line. This allowed us to focus on our core business, which in turn has led to the growing loan book for the credit union and the ability to help more members. It also removed regulatory risks. We have welcomed over 3800 new adult members in the year and, despite the pressures on household budgets, we maintained savings balances at just over £23 million.

Finally, we have continued to support our members with the various cost of living events across the region, including community programs such as Homes for Ukraine Scheme, Leeds Welfare Scheme. We worked with Wakefield District Housing and attended various events around Wakefield and our Money and Budgeting Service has been running a drop-in surgery at Compton library. There are undoubtedly challenges ahead, not least the cost of living and inflationary pressures, plus the need to continue to improve our systems.

I'm pleased to hand over the CEO role to Mark with Leeds Credit Union in a much better position than when I joined, with a solid foundation on which to grow, an increasing loan book, a motivated team and with a strategy and vision for the future that should ensure this credit union continues to provide improved services to its members and to play an increasingly important part in the financial landscape and wellbeing of the communities we serve. Thank you. I now hand you back to Jane.

Audit and Finance Committee's Report

JT apologised to members for the technical issues at the start of the meeting which meant that they had not been able to see her picture on screen. She then turned to the report from the Audit and Finance Committee and called on Samira Khaliq, the Chair of that committee, to present this.

Thank you, Jane. I'm Samira Khaliq and I'm the chair of the Audit and Finance Committee.

Both Paul and Jane have alluded to the challenging economic and market environment over the last few years and 2022 was no exception. Across the financial year, we saw three prime ministers, seven bank base-rate rises, a peculiar mini budget that was quickly reversed and, perhaps most importantly for our members, inflation levels that reached double digits as prices continued to soar globally. But despite this challenging economic background, the credit union has had a solid financial year, bolstered by strong growth, expansion of its distribution reach and investment in people and capabilities.

So what does that mean for our financial performance? Well, let me share with you the outcome of our audited accounts for the year ending September 2022. At first we start with our profit and loss position. Income generated from our loan book has increased by some 15% since last year. The successful levels of new loans originated and the material growth in the net loan book position, which people spoke about earlier, is the key driver of this. And this will continue to play a vital role in the credit union’s financial outlook. Whilst the credit union looks to grow and diversify for long-term sustainability, it continues to need that vital support from investments and grants.

As part of our expansion into our new common bond area, the London Borough of Barking & Dagenham has supported the credit union with £150,000 in this financial year to promote our services and support this new relationship. This is included in the overall income generated to September 2022. On the other side, our costs have increased since the last financial year following a period of low resources whilst we reposition the business. 2022 saw some much-needed investment in credit union skills and capability.

The union recruited and strengthened its colleague base across the year and also recognized that the cost of living pressures meant higher living wage increases. The office move, which Paul spoke about, also created a one-off increase in costs in 2022.

Elsewhere on the profit and loss account, this year the credit union took the opportunity to review bad debt provisions, reviewing underlying performance of the book and changing the methodology to be more closely aligned to the regulatory requirements. So that's left us with a year-end surplus of around £47,000, which is materially better than the deficit position we were anticipating in our budget for the year. So a great financial result.

Moving on to our balance sheet now, we've spoken already about the strong loan book position showing very positive levels of growth across the year, supported by an increase in new member acquisition. Member deposits have been maintained at 23 million and the credit union continues to have good levels of liquidity. One area that has declined across the year is our capital ratio, which now stands at 7.96% at the year end. This has been influenced by that level of growth and also that we've made an adjustment to our subordinated debt.

The Credit Union is confident, however, that we have sufficient levels of capital and we continue to seek ways to further bolster this position to support our future ambitions. So, in summary, the financial outcome is positive. The credit union is anticipating more investment over the coming years to build the infrastructure that will deliver the long term efficiencies, support steady and calculated growth and deliver more value to our members through a strengthened proposition.

Our auditors, BHP, are not able to join us this evening. I can confirm on their behalf that the Leeds Credit Union financial statements give a true and fair view of its affairs as of the 30th of September 2022 and that these have been verified in accordance with the United Kingdom's generally accepted accounting practices. They are therefore giving you, the members, a clean audit report on the financial statements for the year ending 30th of September 2022.

That's everything I wanted to cover on the financials tonight. Thank you.

JT asked if there were any questions on the accounts. No questions were submitted by members.

Appointment of New Auditor:

BHP have been our external auditors for the last three years and audited last year's financial statements. According to the best practice on rotation of auditors, they are now stepping down and I would like to thank them on behalf of the board for their hard work and diligence. The credit union has gone out to tender to select new auditors, and based on the results of that tender, the directors recommend to you, the members, the appointment of the firm of Alexander Sloan as the credit union's new auditor and I believe that that is now something that we need a formal vote to confirm. JT asked any members opposed to the appointment to confirm this by voting.

No votes against the appointment of Alexander Sloan and the proposal to appoint them was therefore passed.

Rule Change

The next item is the proposed rule changes. These were outlined in the notice of the AGM. The purpose of these rule changes is to enable the credit union to help more people more quickly by reducing the time taken between agreeing additions to our common bond and being able to start actually providing services. As we've done in the past, we are proposing first to take a vote on them collectively. If, however, this shows that there isn't a majority to pass all of them together, we'll then proceed to vote on each one individually.

The proposed rules changes were all adopted following a unanimous vote.

Thank you all very much for voting. That's great. So we pass those.

Election of Directors

Now, moving onto the election of new directors. When I last checked, we haven't had any nominations submitted by members for new directors. Can I just check if any have been submitted since then? No. So two of our existing directors, Chris Neill, who is an I.T. professional, and Tina Turnbull, who is CEO of People Matters in Leeds, have reached the end of their first three year term as directors.

In fact, Chris’s term actually expired last year, but in the middle of all of the issues caused by COVID, this was missed. So I would like to apologise to members for this omission, which we will now put right.

I'm very pleased to say that both Chris and Tina have agreed to stand for a second term, Chris’s to be backdated to the date of the 2022 AGM. I'm also pleased to inform you that Heather Chicken, who is a senior civil servant and project management expert, agreed to be co-opted onto the board last June and you are now asked to confirm her appointment as director for a three year term from today's date.

We are also equally delighted that Craig Gould, who is a senior manager with many years' experience in financial services, has agreed to stand as a new director. The appointment of all four nominees is recommended to you by the board. Since the number of nominees for directorship does not exceed the number of vacancies on the board, it is proposed that, in accordance with our rules, we dispense with the election procedure and declare that all nominees are duly elected. So again, we would ask you to vote on that motion.

22 out of 33 participants voted with 100% approval and the motion was therefore passed.

Questions

This is now the section where we get to answer your questions.

Question - Will the credit union consider holding the future AGM in a hybrid format?

Answer - (JT) We did talk about that this year. I think it's always difficult to know the best way to do it, but when we have our meetings online like this, we actually tend to get more people attending.

And obviously we want as many people as possible who wish to attend to be able to do so. This particular year, because for the first time we members in Barking & Dagenham, we were very keen to make sure that they were not disadvantaged in any way compared with our other members. For next year, I think a hybrid format is something that we will consider, although we would have to check that, technically, that would work. But we certainly are open to doing that if we think that that would be what more members would want and would enable more members to attend the meeting.

(PK) I agree with your comments. I think it's the technical challenge of having people in the room and people online, But I'm sure that can be overcome. And if members would prefer that, I'm sure that can be made to happen, which is very important. One of the commitments we gave to Barking and Dagenham and to the FCA was that we would be able to host Barking and Dagenham members remotely, so it's very important that we continue with at least some form of Zoom or teams or digital access to the AGM.

Question - What rate of dividend will be paid for 21/22?

Answer - (JT)

I'm afraid to say that we've made the decision not to pay a dividend this year. As we've said, not only have things been difficult over the period that we're looking back on, but looking forward, we can all see the need to be very cautious because of the strong headwinds in the economy and the cost of living crisis and the effect that that might have on our members' ability to borrow and on our bad debts.

This was not a decision that we made lightly. We would really want to pay a dividend but we concluded that that was not a responsible thing to do. We are having to charge an admin fee again this year and, if we had decided to pay a dividend, then we would probably have had to charge a higher fee. So we've taken all these things into consideration and that's a decision that's been taken.

Question - Would a copy of the audited accounts be made available for members?

Answer - (PK)

Yes. The audit accounts are available to members straight after the AGM.

No further questions were submitted by members.

Jane Toole formally ends the AGM

Well, thank you very much, to those who submitted questions. And thank you all for attending. So this concludes the business of the AGM. I would also like to thank Sam for facilitating the meeting. I now declare the meeting closed.