

Minutes of AGM 2022

Andrew McPhillips (AM), the President, declared the meeting open and welcomed all Members and Guests to the AGM via Zoom.

In attendance

There were 30 members in attendance.

Apologies

There were no apologies received

Minutes of the previous meeting

These were reviewed by the meeting and AM asked that any questions be submitted via Q & A method and would report back in next year's meeting.

Address by the president

I am Andrew McPhillips, President of Leeds Credit Union. I have been a board member of Leeds Credit Union for six years and served as president for the past three. When I first joined this opportunity was sold to me as just a couple of hours per month for a meeting and a bit of reading.

And I think it's important to know that this couldn't have been further from the truth, particularly over these past 12 to 18 months. I just want to touch on that first and then we'll move on to where the Credit Union is today and where it will be in the future.

I think as we're all aware, COVID had a significant impact in all our lives, but in a business such as ours, where we weren't really set up for remote working and more importantly, I needed to make sure that all our members could still access branches and [more importantly] had access to their money when they needed it.

I'm very proud of every single colleague for the way that they've kept our Credit Union services available through multiple lockdowns and other COVID related disruptions. Particularly when we have been very short on bodies, to continue to be able to offer our members the quality service they expect was a tremendous effort.

Additionally, we've also had a complete change of our senior management team in the last 12 to 18 months. I think it's fair to say that this change was not expected in such a short timeframe and did place extra pressure on the rest of the business at a time when we were already struggling to deliver services due to the COVID issues mentioned previously.

And again, I just want to thank everybody, who kept us going through those times and I feel that our Credit Union has come out the other side in a much better place than I believe it was before.

The Credit Union is now, I feel, on the right path after a number of years of slightly disappointing financial performances and lack of progress on some key projects. We're now building towards a more modern Credit Union that delivers more benefits to our members and will help us to reach even more people than we do currently do.

Please continue to send us your feedback on what we're doing well and where we could improve. We are here to deliver the Credit Union that you want to see. I'd also like to take the opportunity to thank our partners at both Leeds and Wakefield councils. We look forward to continuing to work with you as we further improve our offering in the coming months.

I will now hand it over to Paul Kaye.

Chief Executive's Report

Thank you, Andrew. This is my first AGM as CEO and it's pleasing to see so many members that join us online virtually. Hopefully, next year we'll be back to more normal and potentially we can do this in person.

As Andrew said, it's been a busy year in my new role. And I'm pleased with the progress that certainly has been made by the team at Leeds Credit Union.

We have had to deal with the continued disruption of COVID alongside the economic challenges presented to them, as well as adjusting to the new senior management team. And despite the challenges, I'm really pleased to report we ended the year in a more robust financial position than had been envisioned.

We focused on getting the basics right and creating a solid foundation on which to build a Credit Union fit for the future. We've taken steps to improve our risk and compliance function, which is vital in any regulated financial institution. Furthermore, we've implemented stronger cybersecurity defences alongside improved internal controls in order to protect the Credit Union from internal and external fraud, which it has suffered from in the past.

The key strategic goal I've laid out is to move the Credit Union onto a more stable footing and reduce the reliance on grants and other third-party funding it's relied on in the past. And this is vital, as can be seen from this year's reduction in grant funding in the accounts.

And to do this, we must focus on the core business and we must balance the social impact that we can have with the need to be commercial. And I believe we can do both. To that end, it's imperative that we grow our loan book and drive the interest income that adds to our reserves and to do this, we need to attract more new members and invest in our marketing and our capability to underwrite and process loans. But it's also important we deliver the social impact.

We delivered more than £3.9 million of savings to members who borrowed with us, when compared to the high cost credit alternatives available.

We have launched faster payments, open banking and a new loan product that was more suited to members' needs.

We've continued to invest and we are currently improving our app to make it even easier to access our products and services. Over the coming years, there will be more investment in our IT infrastructure and our IT transformation.

The coming year will be a challenging one, given the loan book decline we've seen in previous years, plus rising utility costs, national insurance and inflation. These will impact the Credit Union and our members alike.

We go into the year with a clear plan, strong savings balances, good reserves, exciting new initiatives, and a new leadership team.

Finally, I'd like to thank all our members for their continued support of Leeds Credit Union, now and in the future. I would like to end by saying a huge thank you to Andrew, for his stewardship as President through some challenging times, and Julian too for the service he has given to our Credit Union.

Thank you. I will now hand it over to Julian to cover the financial statements.

Audit and Finance Committee's Report

Thank you, Paul. I'm Julian O'Neill and I'm the chair of the Audit and Finance Committee.

My role this evening is to take you through the audit of the accounts for the year to the 30th, September 2021. A full set of the figures has been sent out to those people who asked for one.

So in terms of the profit and loss figures, the loan income for the year has reduced due to a reduction in the loan book itself, which Paul referred to, and as we all know, it has been another difficult year with COVID and the various lockdowns leading to subdued spending and hence the demand for loans.

Other income, which again, Paul referred to, whilst it's has reduced, remains a vital part of the Credit Union's overall income for the year. The bad debts and the overheads, during the year were both lower, though. The reduction in overheads was mainly due to the reduction in staff costs, which happened as a result of the replacement of certain people within the team during the year, and the difficulty in actually bringing people in against the pandemic. The surplus for the year is as you can see slightly reduced on the previous year to £220,000.

Turning onto the balance sheet, the loan book has reduced by just over 6%. The cash balances however, have increased in line with the reduction in the loan book and has been more significant in terms of increased member deposits due again to the reduction in spending during the pandemic.

Looking forward now to the outlook for the current year, as Paul already mentioned, we anticipate another difficult year due to a number of factors, including rising inflation and its impact on disposable income and bad debt. We will also be increasing our investment in both our staff and the IT infrastructure in order to maintain and strengthen the member's experience in the future.

So that's the numbers themselves. I'm going to now hand over to our auditors BHP and ask for Mike Jackson to take the floor in terms of talking us through the rest of the numbers.

BHP Auditors

Thank you, Julian. Good evening, everybody. My name's Mike Jackson, I'm an audit partner at BHP LLP. We are the external auditors for the Credit Union. And obviously specifically with responsibility for the accounts for the year ended 30th September 2021.

We've already seen the financial statements, at Leeds Credit Union for the year ended 30th September 2021, which comprised the revenue account, the balance sheet, statement of

changes in reserves, statement of cash flows and the notes to those financial statements, including a summary of significant accounting policies.

The important bit for the members is our opinion. And in our opinion, the financial statements give a true and fair view of the state of the Credit Union's affairs as of the 30th of September, 2021 under its income and expenditure for the year that ended.

We also opine that the accounts have been properly prepared in accordance with the United Kingdom's generally accepted accounting practices and have been prepared in accordance with the requirements of the Co-operative and Community Benefits Societies Act 2014.

So, therefore, we are giving you, the members, a clean audit report on the financial statements for the year to the 30th of September 2021.

So, overall, our opinion is a clean audit on the accounts for the year.

Questions

Andrew McPhillips – Thank you, Mike. This is now the section where we get to answer your questions. I will suggest that we deal with all questions related to the accounts first.

Question - Regarding the fraud that took place from a member of staff.

Answer - (PK) Yes, an internal fraud from a member of staff was committed and it was fully investigated by the police. The member was put back into the position that they should have been in before the fraud was perpetrated. We have since tightened up the controls. We also had a cyber attack in the Credit Union but we have also tightened up controls on the cyber security as well.

Moving on to general questions.

Question - Why do we think there's been such total change in the senior management team and loss of key staff over the last 12 months and how are LCU filling in the experience?

Answer - (AM) So I will take that first. And then Paul (PK), you may want to chip in, in terms of the team that you're putting together.

The previous senior management team that chose to leave had been in place for a number of years. They reached the point that they felt that it was time to move on. There was no pressure from the board, it was their own decision to leave.

The environment that we were operating in was a difficult one in terms of the financial performance of the business. As we've discussed, the loan book had been declining and we are now starting to see signs of this turning around and hopefully, this will continue throughout the rest of this year.

We have gone out and recruited Paul in particular from a board perspective who has a number of years of senior experience in financial services, including in the building society sector. We were keen to get somebody that did have knowledge of the sector in terms of managing a financial services business.

(PK)

I think it is generally good to have staff turnover in the business. As long as it's at the right level, it gives you an opportunity to bring new fresh thinking into the business. Those that left the business did so of their own accord, we didn't force any of our employees out of the business.

The right level of turnover in business can be good and we wish everyone the best in their future careers. I believe the people we have brought in have the right skills for the business. We have financial constraints, so we can't go and recruit many people at very high salaries. So we're having to be creative in who we recruit and who we get into the business, but I'm confident we've brought in some good skills into the business and they are the right people that can really drive the Credit Union forward.

Question - What plans do we have to reach the wider community, in order to build more members and provide more loans?

Answer - (PK) So we want to continue to serve the members that we currently serve. We're not, in any way moving away from that demographic. It's fair to say to grow our lending - we need to attract new members.

There is an opportunity in the Wakefield area and we're working with the Wakefield council on that.

We do want to attract new members from slightly different demographics, we're doing that through various initiatives. We're just about to launch the credit union into a new council area, which is very exciting. And we are soon to launch on one of the aggregator sites that will give us access to a wider demographic of members as well.

Vote to reappoint auditors

AM – Moved on the Agenda and asked the members in attendance to vote to reappoint the Auditors BHP next year, the directors recommended to continue. All voted yes 100%

Rule Changes

AM proposed the rule changes one at a time and with a vote to accept all the rule changes at the end.

Add the following to rule 7 (1)

- NHS England
- Cross Keys Homes
- Minster Law
- BUPA Dental
- Yorkshire Ambulance Service
- BW Legal

Add the following to rule 7 (2)

- The London Borough of Barking and Dagenham as delineated on map “D” in red.

7 (3) (a)

- (18) being a resident of Cross Keys Homes

Nomination for election

98. All nominees for election as a Director of the Credit Union must be members of the Credit Union (unless the exception below applies) and must be at least 18 years of age. If suitable candidates cannot be found from within the current common bond requirements, the board or the nominations committee should consider the importance of effective governance as set out by the PRA as an overarching principle and may, by exception, consider nominations of persons who do not live or work within the common bond area, provided that such persons;

- Can evidence suitable experience and qualifications that meet the specific criteria established for the vacancies, as identified by the Board
- Will be able to fulfil all the requirements of a director from a time and location perspective
- Will contribute to the broadening of the Board’s skills base and therefore its effective governance and oversight
- Can meet all other nomination and election requirements other than the requirement to live or work within the common bond area, as required by these rules.

A person meeting the above criteria may be nominated as a Director of the Credit Union and be appointed as such in accordance with these Rules, notwithstanding the fact that that person does not live or work within the common bond area.

Nominations for the Board of Directors shall be in writing and shall be signed by a proposer and a seconder who must [also - delete] be members of the Credit Union and also by the nominee to indicate their consent, and their willingness to submit to any requirements of the Regulator.

Nominations shall be sent, including a curriculum vita, so as they reach the registered office of the Credit Union at least 3 days before the date of the general meeting where the election shall take place or such earlier date of which the Board of Directors has given notice in Writing to Members to permit a postal ballot of members to be held.

The members voted in favour of adopting all the proposed rule changes, with 91% in favour and 9% against. As there is a greater than 2/3 majority we will approve and adopt the rule changes.

Election of new board members

So moving on now, as you're aware, I'm stepping down from the Board at the end of this meeting, as I've reached my two-term limit. As has Julian, chair of the Audit and Finance Committee, who will also be stepping down.

The two new board members are Sameera Khaliq and Tarun Mistry.

Both were voted into the board of Leeds Credit Union.

This formally concludes the AGM.