

Minutes of the Leeds Credit Union Annual General Meeting 2024 held at 1730 on Wednesday 27 March 2024.

Jane Toole (JT), 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

Apologies

There were apologies from Sameera Khaliq, the Chair of the Audit & Risk Committee. No other apologies were sent.

Minutes of the previous meeting

JT explained that the minutes of the 2023 had been available on the LCU website for the last 10 months and asked if anyone had any comments or objections concerning the minutes.

No comments/objections were received.

Attendees were asked to vote on the approval of the minutes of the 2023 AGM.

VOTE: To approve the minutes of the 2023 AGM.

RESULT: 23 votes to approve: 2 votes against
The minutes of the 2023 AGM were approved.

Address by the president

(JT) Since my second term as a director is coming to an end, I will be stepping down from the Board immediately after this AGM after six years on the Board, including two as President. I would like to thank my fellow directors as well as Mark and his team for their support and hard work. I would particularly like to thank Alex Beavis who has served on both the Board and the Audit & Risk Committee for the last three years and has also been my vice-president for the last two and who is also stepping down after this AGM.

I would like to welcome four new candidates who are standing as directors. Paul Whitlock, who if approved by your vote later in this meeting, will become your new president and also Yalini Pathy, Raj Kambo and Nick Nicholas who are standing as new directors. As ever, I am heartened by the fact that so many busy and experienced people are prepared to support LCU by serving as volunteer directors on your Board.

Last year was a difficult year for our members and communities as many of them struggled with high inflation and severe cost of living pressures. Against this backdrop, as well as supporting them, we continued to make progress in building up the credit

union's strength and resilience and in modernising our technology and processes. You will hear more about this in the CEO's report.

Continuing to invest for the future, when some of our customers are having to draw down their savings for day to day expenditure, borrow less than they would like or are struggling to pay existing loans back, inevitably puts pressure on the credit union's finances. We also had to make substantial additional bad debt provisions against old loans as a one-off correction for cases identified at the year end. This is reflected in our results for the financial year, 2022-23. Since we made a loss, we are sadly unable once again to pay a dividend.

We will also have to levy an administration fee of £5 per account again this year and this will be deducted automatically in the next couple of weeks.

The chair of our Audit & Risk Committee, which was formerly Audit and Finance Committee, is unavailable today but in her absence Tarun Mistry (TM), a member of the committee, will provide you with more details on our financial results shortly.

Despite the deficit we made last year, your board remains convinced that our growth and modernisation strategy is essential to ensure that LCU is still here for our members in the long term. The outlook remains challenging and we will continue to proceed cautiously and continually assess the risks to our strategy. However, I can reassure you that we are currently on track against our five-year plan - to deliver a credit union that can meet the needs of our members and communities into the future and is able to return to paying an annual dividend. We are very grateful that we continue to be supported on this journey by our external partners, in particular Leeds City Council and Fair 4 All Finance.

It's not an easy task for a small organisation like Leeds Credit Union to transform and grow at the same time as continuing to support its existing members, but considerable progress has already been made and the board is confident that we have the right people, partners and plans in place.

Audit & Risk Committee Report

I will now hand over to Tarun Mistry to present our audited accounts for the financial year, 2022-23.

TM: Thank you, Jane. Good afternoon, everybody. I'm Tarun Mistry and I'm a member of the Audit & Risk Committee. This committee was previously called the Audit & Finance Committee and was renamed in 2023.

Jane described the challenging economic and market environment over the last few years and 2023 was no exception.

Across the financial year, we saw the Bank of England base rate continue to increase from 2¼% in September 2022 to 5¼% in September 2023 in an attempt to manage the inflation rate. The inflation rate did reduce from an excess of 10% to 6.7% over that

same period, but despite this challenging economic background, the credit union has had a solid financial year bolstered by strong portfolio growth and investment in people and capabilities. I'm glad to say that the credit union continues its strategy of achieving self-sufficiency through loan portfolio growth and investing in its people and modernising our IT systems and infrastructure. As reported last year, this is a strategy that would take a few years to fully implement and achieve.

Turning to our reported financial results for the year ending September 2023, which were audited for the first time by our new auditors, Alexander Sloane, who took over from our previous auditors, BHP.

As regards our trading results, our net interest receivable as reported in our statutory accounts grew by an excess of £500,000. That is 32% on last year's results. This was driven principally by the growth in the loan portfolio combined with increasing income on our bank deposits and investments. Our other income, principally grant income, reduced by £137,000 but remained at a healthy level of £632,000.

Our administrative expenses have increased, reflecting the investment in our people and systems. The investment is one which the credit union considers will benefit it over the longer term and we are starting to see this in the form of the loan book growth and operational efficiencies.

As stated by Jane, we have also had to make substantial additional bad debt provisions of £140,000 against old loans after we discovered that these had not been properly provided for because of reporting issues in our current loan management system, which is being replaced.

Overall, the credit union generated a deficit of £375,000 before corporation tax and a deficit of £469,000 after tax.

It is worthy of note that if it had not been for this additional bad debt charge, the credit union would have delivered a deficit result broadly in line with its budget.

Moving on to the balance sheet. Now, we've spoken already about the strong loan book position, showing a very positive levels of growth across the year from a net position of £7.2m to £8.7m. That's a growth of 21%. Whilst the number of member deposit accounts have remained at circa 43,000, the value of member deposits reduced during the year from approximately £23m to approximately £21.6m, which we consider partly reflects the impact of cost of living pressures on our membership base. Once you have seen this marginal reduction, I'm glad to say that the credit union continues to have good levels of liquidity which are well ahead of our minimum thresholds.

One area that has declined across the year is our capital ratio. Which now stands at 6.87% at the year end, which is marginally in excess of our required level. This reduction reflects the impact of our trading results. Again, this reduction in our capital ratio was planned within our budget and the credit union has a plan of action to raise further capital to bolster this ratio and support the continuation of our strategy as described earlier.

In conclusion, the credit union continues to plan for further 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, Alexander Sloan, are not able to join us today, however, I can confirm on their behalf that the Leeds Credit Union financial statements give a true and fair view of its affairs as at the 30th September 2023 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 financial statements for the year ending 30th September 2023. However, they have included within their audit report a statement of material uncertainty relating to going concern as the continuation of our strategy requires further raising of external investment. This is part of our business plan and I can confirm that the management team are progressing with this aspect of our strategy.

That's everything I wanted to cover on the financials tonight and thank you. May I ask if there are any questions?

No questions were asked.

May I now pass on to Mark Fleet, the CEO.

Chief Executive's Report

Thank you, Tarun. Good evening everybody. I'd just like to thank Tarun and Jane for their presentations and the time they put into preparing things.

I'll now talk through just a few of the initiatives we have in place over the coming months and years to rebuild and make Leeds Credit Union sustainable in the medium to long term.

Jane talked about investment to build a modern credit union and it is for the future of the members and the people. What is overridingly important is the people that work for Leeds Credit Union do so in the right surroundings with the right support and I firmly believe if we have the right people, we will deliver the right service for our members. We've invested in professional HR support in the last year, new training modules for everybody to make sure their skills are up to date and we comply with our regulatory requirements.

We have some important projects to deliver and we've invested significantly in our project delivery team and data analytics as we go forward we want to make sure the things we deliver are professionally delivered, and as we grow our lending book, analysis of the data will be critical to make sure we lend to the right people and we manage our risk.

We've also last year invested in our IT infrastructure. We've upgraded our servers. We've upgraded our security and we want to make sure we have a platform on which to build going forward.

We had one key project, Consumer Duty, which was a regulatory project and mandatory, and the project team delivered a really strong project overall which is very much focused on how we look after vulnerable customers and members and part of that was training all the team as well as delivering clear communications and appropriate service.

And on top of that, we've managed the relationships with the councils of Leeds and Barking and Dagenham. We've got 53 payroll partners and seven housing associations. And our services are critical to the communities we serve.

I'm delighted to say that we attracted nearly 5,000 new members last year and granted nearly 9,000 loans, and these are to people that can't gain access to traditional methods of borrowing - so very vulnerable people in the main. To put things in perspective, we estimate we saved over £11million in interest compared to our members going to, or having to go to, doorstep and high interest lenders. So, it's a vital service, especially at the moment with cost of living - looking after members and helping them through is important. We will continue to support vulnerable members in the community. That, I think, is the role of the credit union.

We offer money and budgeting services, both in person and online, to help people navigate through difficult times. We've also launched an initiative with Food Savers to encourage people to start saving little nest eggs but utilising food banks as well and we've already got over a hundred new members who are starting saving with us.

So that's a brief overview of where we've been spending our money. My final point, tonight is just to thank Jane and Alex, who leave us after excellent service for the credit union. On behalf of my team and the whole credit union, thank you both very much and we wish you every success in the future.

Thank you and back to Jane.

VOTE to reappoint the auditors

JT: Thank you. We now have a vote on the appointment of auditors.

The reappointment of our current auditors, Alexander Sloan, is recommended to you by the board. Please would you now vote on this by pressing the button at the bottom of your screen?

RESULT: 30 votes to approve: 0 votes against

The reappointment of Alexander Sloan as auditors for the financial year 2023 -24 was approved.

Rule changes

No changes to the Leeds Credit Union Rules were proposed.

Vote to elect directors

JT: As I mentioned in my opening remarks, Alex Beavis and I are standing down as directors today after serving one and two terms respectively.

VOTE to elect the following as directors: Paul Whitlock, Yalini Pathy, Raj Kambo, Nicholas Nicholas.

RESULT: 29 votes in favour: 0 votes against
The election of the four new directors was approved.

VOTE to re-elect Katherine Bavage as a director.

RESULT: 30 votes in favour: 0 votes against
The re-election of Katherine Bavage was approved.

Questions

No questions were submitted during the meeting.

Three questions were submitted in advance, two of which relate to personal accounts/circumstances and were addressed directly with the members involved. One further question was asked:

How have you addressed the cost of living crisis within your own staff? This is to ensure that we keep the highly valued and focused staff that I have encountered

Response: Our staff are our greatest asset, as Mark has said earlier. We are a real living wage employer and we do aim to pay all our staff a fair salary. We also provide benefits to our employees such as membership of a health plan, generous holiday allowances and the ability to work in a hybrid pattern if their role allows it, and pension contributions. We greatly value the whole team and this is reflected in the results for our annual staff opinion survey.

Jane Toole formally closed the AGM

It's been a privilege and a pleasure, as well as at times a challenge, to serve on your board for six years and to chair it for the last two and I shall miss everyone. These are difficult times and we have embarked on a challenging path to transform Leeds Credit Union into a strong, modern, efficient and growing credit union. I am confident that I leave you in good hands to deal with the challenges ahead and to continue working to ensure that we are able to meet the needs of our members of communities for many years to come. Thank you all very much. I now declare the meeting closed.