Kent Savers Credit Union: Eighth Annual General Meeting

All Saints Church, Church Lane, Murston, Sittingbourne Kent
6.30pm Tuesday 8th May 2018

Members Present: Becky Atkinson, Robert Atkinson, Dorothy Bevan, Phil Bromwich, Chris Goulding, Russell Heppleston, Chris Hunt, Sue Julien, Anthony Kamps, Martin Kingman, Vanessa Kingman, James Luck, Lance Lupton, Catherine Parker, Karen Richardson, Diane Tatt, Nick Vickers, Dave Wilson;

1. Apologies for absence

The following apologies were recorded: Lynda Cooper aka Beard, Christine Gravenor, Richard Palmer, Patrick Sinker, Janet Sturge;

Martin Kingman, Chair of Kent Savers' Board of Directors opened the meeting by welcoming everyone and thanking Murston Community Bank for hosting the meeting at All Saints Church.

2. Minutes of 2017 AGM

No comments or amendments were raised regarding the minutes of the 2017 AGM, which were therefore proposed by Dave Wilson, seconded by Diane Tatt and approved by all members attending.

3. Chairman's Report

Martin Kingman presented his report (see attached at Appendix A). He emphasised Kent Savers' appreciation for Chris Hunt's years of service, which was acknowledged by the Directors and staff. He explained the Board of Directors' recommendation that no dividend is paid for 2016-17 in light of the current financial position and the forecast operating loss at year end. There were no questions from the floor.

4. Treasurer's Report

Nick Vickers summarised his report (see attached at Appendix B). He supported the Chair's explanation for paying zero dividend for 2016-17, suggesting it would be reckless to make payments to members during this time of considerable capital pressure and escalating bad debt expenses. He outlined his analysis of the delicate balance experienced by all Credit Unions of lending to people who need to access affordable credit vs lending only to those of a more comfortable credit risk. In summary it remains essential that Kent Savers continues to grow its loan book whilst at the same time addressing the current level of bad debt and putting in measures to reduce delinquency rates going forward. There were no questions from the floor.

5. CEO's Report

Catherine Parker presented her report (see attached at Appendix C). A member asked whether some direct marketing initiatives had been considered such as a stand at the Kent Show or other trade shows. Chris Hunt responded that it has been trialled in the past, and even at well attended shows, the number of people who actively engage with a Kent Savers stand was very low and didn't justify the costs and time taken. Another question was raised around how bad debts are analysed, and what trends are apparent that might influence mitigating actions. Martin Kingman explained the Automated Lending Decision (ALD) tool used in the office, which greatly improves decision making efficiency, but is not a fool proof methodology, and quoted some examples when Kent Savers has lost money from personal bankruptcies of professional individuals with strong credit profiles.

6. Auditors' Report

Martin Kingman explained the 2016-17 accounts were audited by Alexander Sloan Accountants for the first time having been appointed last year. He confirmed the Auditors were satisfied with the accounts and KSCU's management and governance. Nick Vickers proposed the accounts, Chris Goulding seconded them, and they were unanimously approved without comment.

7. Supervisory Committee Report

Russel Heppleston gave a brief description of his background, the role of the Supervisory Committee and his new role as Chair of the Committee. With membership currently running at 2, he invited anyone with relevant skills interested in supporting Kent Savers in this important governance accountability role, to join himself and Anthony on the committee. He summarised the report confirming the Supervisory Committee's attendance at board meetings, outline audit plans and observations on risk management. A question was asked about the best use of the Committee's resources, and whether the Board had more pressing tasks that could be assisted by Russel and Anthony outside of the Committee remit. Nick Vickers explained that it's a regulatory requirement to have a standing Supervisory Committee at all times therefore the members have to remain formally independent of the Board, however there can be some adaptability for example when the previous Treasurer resigned, Nick stepped down from the Committee in order to take up the Treasurer post because it was an expedient solution for the Board at that time.

8. Motions

8a "This AGM permits the board to declare interim dividends and to establish differentiated dividend rates as it sees fit".	This Motion is required every year.
8b "This AGM agrees to the payment of the dividend for 2016-2017 recommend by the Board of Directors"	The dividend rate proposed by the Board was 0% (zero).

Both Motions were proposed by Martin Kingman, seconded by Phil Bromwich and unanimously approved by all present.

9. Elections

All present agreed to Martin's proposal to not using a secret ballot for the election of Directors and Supervisory Committee Members.

Martin Kingman confirmed there were three Directors for election this year, Chris Goulding, Diane Tatt and Nick Vickers. He proposed their election, this was seconded by Dave Wilson, and on a show of hands all three were elected to the Board unanimously.

Martin Kingman then proposed Anthony Kamps for election to the Supervisory Committee, this was seconded by Nick Vickers and voted unanimously on a show of hands.

10. Any Other Business

Phil Bromwich raised a question about the branches' lack of access to the Kent Savers computer system including emails. Martin Kingman acknowledged this was an outstanding issue following the recent IT system and security software upgrades and is being resolved by the new IT support contractor Liquid Computing and should be resolved in the near future. Martin Kingman thanked all the staff, volunteers and Directors for their continued support and for attending tonight and closed the meeting at 19.15.

APPENDIX A

KSCU Chairman's Report to 30 September 2017: M KINGMAN

The financial year ending 30 September 2017 has largely been a frustrating one for myself, the board and the staff – we feel we have spent the year waiting and anticipating - almost treading water. This is for a number of reasons which I will elaborate on below:

1. Firstly the impending retirement of Chris Hunt as General Manager and the need to replace him has taken up a lot of board and personal time in trying to ensure we have sufficient cover to replace Chris' diverse skills. His almost encyclopaedic knowledge of Credit Union legislation and accounting practices were always going to prove difficult to replace. Ultimately, although Chris deferred his departure a number of times until well after the end of the financial year it was apparent that we needed to split the roles between the Finance/Office Manager and the CEO being the external face of KSCU. After running 2 recruitment campaign alongside one another which took a period of months, we had a "false start" with the CEO's position, but I am delighted with the choice of Catherine and Sue as CEO and Finance Manager respectively. KSCU owes Chris a debt of gratitude for his hard work firstly as a treasurer when the CU was first set up in 2010 and then latterly when he replaced our founding General Manager, John Fowler and became a member of staff. He will be greatly missed and I and my board thank him for all of his efforts.
2. The second frustrating event has been the waiting (and waiting) for the implementation of CUEP. The Credit Union Expansion Project has been on the horizon for many years and since mid-2016 we were meant to be an early adopter to the system. The platform offered much promise that as a board the long term future with this system looked very positive indeed for Kent Savers. For the past 2 AGMs I have sat here and extolled the virtues of the system, with the promised implementation date slipping time and time again. By the end of the 2017 financial year (to which this report relates) it had totally stalled. Subsequently we now know that the project has had the DWP funding withdrawn and the scheme has collapsed. The impact on KSCU has been threefold:

   a. Firstly, financial. We are owed money for hitting contractual set targets for implementation – but the funds have not been released and paid. Now we know they are not going to be.

   b. Secondly, we have been delaying upgrading any IT infrastructure as the new platform (which is cloud based) would be replacing it and we would not require a local server in the office. Ultimately, with the collapse we have recently had to invest over £20,000 in hardware and software to now bring us up to date replacing the aging infrastructure which we have been running since inception since 2010. This cost was not envisaged and obviously has hurt our financial performance.

   c. Thirdly, the future expansion of the system will be more-costly and will therefore make growth and innovation slower than we had planned and envisaged. We are seeking grant funding for this additional capital expenditure and unless we are successful our growth will be stinted further that it should have been under CUEP.

Each of these factors has been beyond our control and our board members have been lobbying MP's to try to get a portion of the DWP funds destined for CUEP diverted to KSCU – efforts are continuing in this regard.

3. The third frustration for the board and particularly myself has been the increase in bad debts. For the first half of the 2016/17 financial year we were predicting a breakeven or possibly even a small surplus. The bad debt situation has grown steadily worse and has ultimately resulted in a loss this year. Which has ultimately resulted in the board of director's decision to make the

recommendation to you that we do not pay a dividend this year. In my opinion we as a prudent board of directors cannot have the KSCU make a loss for the year and pay a dividend – this would be reckless. We have and continue to take strong steps to address the bad debt provision and to prepare the CU as we feel this coming year will see further interest rate rises which may have an impact on certain people's ability to repay the sums borrowed. We are doing all we can to mitigate and minimise this risk for the long-term viability of KSCU.

Finally, a few thank yous from me. Aside from thanking Chris, Catherine, Sue, I want to particularly thank Karen and Becky for their sterling efforts whilst there has been so much disruption towards the end of the year with personnel and system changes – they had admirably kept the ship afloat and running at all times to minimise disruption to our members. I also wish to thank the outgoing board directors especially Phil Davies who as treasurer is missed for his rapier insight and wit. A further thank you to our board of directors and supervisory committee who are all volunteers who give up their time and expertise to ensure that KSCU has the best possible governance. A big thank you to our volunteers in the branches for assisting us in getting to our member out on the ground where we know we make a difference and finally to our members without whom we would not be here at all. You make it possible and I thank you for your unswerving support of this, your credit union, enabling us to be able to make a difference in communities up and down the county. I am humbled as always to be the chair of the board. Thank you.

APPENDIX B

Treasurer's Report

FINANCIAL YEAR ENDING 30 SEPTEMBER 2017

This is my first report as treasurer having taken over from Phil Davies in February 2018. I would like to thank Phil for his contribution and wish him well in the future.

I have been involved with Kent Savers since before its earliest days and since it was established have served on the Supervisory Committee-from which I have now stepped down.

Following a surplus of £32,871 in the year to 30 September 2016 the last year saw a deficit on the Revenue Account of £36,879. The main variances are summarized below:

	2015/16	2016/17	Variance
	£	£	£
Loan interest	-139,240	-173,938	34,698
Admin expenses	76,939	91,572	14,633
Bad debts	55,417	86,988	31,571
Total	-32,871	36,879	69,750

It is particularly concerning that the level of bad debts had increased and this trend has continued in this financial year. This has impacted on the ability to pay a dividend.

Kent Savers is at a key point in its development. The retirement of Chris Hunt as General Manager and the recruitment of Catherine Parker as Chief Executive with a reinforced back office finance and administration team is crucial. We need not only to grow the loan book but improve our credit control arrangements. Further financial support from local councils and housing associations is also important. Having thanked Phil earlier I would also like to express huge thanks to Chris for his great work over many years for Kent Savers.

I'm sorry that my first report is not more positive, but I feel that we have the people to turn this situation round.

Nick Vickers B.Sc (Econ), CPFA

APPENDIX C

CEO's Report

As I only officially started in my new role with Kent Savers as CEO last month, I'm not going to comment on the past year's activities but on the plans for the year ahead. The rationale for splitting Chris' previous General Manager role into two distinct posts – a Finance Manager and a CEO - was largely to invest in additional staffing resource to work on strategic and business development initiatives, and I'm really excited that my new post will enable Kent Savers to achieve some significant developments in the year ahead, and I'll highlight some of what we've identified – starting with the top three key objectives:

Firstly, **Raising Capital**: Kent Savers is currently running very close to the Regulator's required minimum 3% Capital Asset ratio, so raising capital is the top priority, and it's important beyond the need to keep comfortably above the "buffer zone" and avoid time-consuming discussions with the FCA on a "capitalisation action plan" – our ultimate objective is to grow the loan book to a size that makes the Credit Union sustainable and able to cover the bad debts on an ongoing basis. To get to that point the Board may decide we need to develop more products, or offer larger loans for bespoke purposes, both of which require us to establish a strong capital base before we can roll out these types of new initiatives.

So this year we'll be making direct approaches to as many of the local councils we can get to, prioritising those who haven't yet made a financial contribution, and asking them to give us a long-term capital commitment. As well as the local councils, there are other organisations that we'd like to approach, that have a vested interest in keeping a viable fair-credit provider in Kent/Medway/Bexley; Housing Associations have a social objective to support residents in financial need, as do church and religious organisations, so funding requests will be made there, and we could also appeal to the "corporate social responsibility" agendas of private companies in related sectors, I'm thinking about local estate agents, law firms, financial advisory firms – plenty want and need tangible ways of demonstrating their social responsibilities. There are lots of avenues that haven't been explored – and the challenge for us is not only to demonstrate they share our ambitions, that they benefit directly or indirectly from a service that meets the needs of people otherwise drawn to the high-interest lenders, but primarily to demonstrate that Kent Savers has a robust and realistic business case for reaching and maintaining financial sustainability year on year.

The second key objective this year is to support and **reinvigorate our network of branches** to optimise the public facing infrastructure we have in place, that grew out of the joint working with the Church and Big Local partners in the last few years. Each of our branches (Murston, Newington, Tenterden and Canterbury) has different characteristics – from the individuals involved, the geographical areas they're located in and the sorts of people who come through their doors.

The sense I get is, although Kent Savers was at the fore-front of the original rationale for getting set up in each case, now the focus is not so much on encouraging membership, savings and loan accounts, but on providing a more general holistic support service for quite often complex multiple support needs of the people they attract – and that's absolutely fine at one level, and we can be proud of those important community initiatives, but from Kent Savers' perspective it feels obvious we haven't done enough to support the branches to be more pro-active in promoting us to wider groups of people in their areas, to attract people into the venues specifically as potential members/savers/borrowers – and make more effective use of their established presence in the Credit Union's growth plans.

My third top priority is: push forward **two main business development products:** Housing Loan Funds with local councils, and PayRoll Deduction schemes with major employers.

We've had a good experience running Loan Funds for Maidstone and Bexley councils, they will hopefully continue to grow. The new Homelessness Reduction Act puts greater preventative duties on local councils to support individuals and families vulnerable to homelessness, so they have obligations in a greater number of cases to provide funding to pay for rent arrears or deposits or rent in advance for private lets – so this year is good timing to approach them with an offer that helps them demonstrate they're meeting their new responsibilities, and as a lending model it's clearly attractive business for Kent Savers as we get remunerated on a work-fee basis without taking the underlying credit risk. And we already run several Payroll Deduction schemes, including with Kent County Council, but until now there's not been sufficient staff resource to market these more widely to target employers, and it's an obvious area which many Credit Unions are very successful at, and once we have the promotional materials ready I think it will be an effective approach for achieving membership growth in a manageable way.

I should also mention some other important objectives I'll be working on this year, including:

- The very important role of supporting the office staff and helping them stay happy and motivated and providing great customer service;
- Getting as much free support and advice for the Credit Union I can, including persuading volunteers to give their time regularly;
- Seeking grant funding from charitable trust and foundations when there's a good fit for funding a bespoke cost that will generate a clear benefit or impact;
- Helping the Board to identify and recruit more Directors to enhance the pool of talent and skills across the governance function; and
- Promoting Kent Savers' products and services within the third sector to local organisations that need to be better informed about who we can lend to and how they can assist people they signpost our way.

I'm looking forward to keeping very busy – and also to standing up here again next year to report on how much of these priority objectives we've achieved.

Catherine Parker
18th May 2018