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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 campaigns 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 Subsequently we now know that the project has had the DWP funding withdrawn and the scheme has collapsed.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

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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 stunted 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 again 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

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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.