Ninth Annual General Meeting – 30th April 2019

Chief Executive Officer's Report

I started my role as CEO just over a year ago, and I'm pleased to report we've made some significant progress in the last 12 months to stabilise and strengthen Kent Savers – both operationally and financially. Much of what's been achieved this year has put us on a surer footing for growing an efficient and sustainable lending business. I'll highlight four areas in particular:

Regulatory Capital: we've had some success in our approaches to local authorities, and obtained new or renewed capital funding from Bexley, Canterbury, Ashford and Swale councils this year – and we do appreciate their generous support at this time when Councils' finances are under such extreme pressures.

The major Capital-related achievement this year has been the rather complex and detailed work with Bexley Council in relation to the accounting and regulatory treatment of the funding they provide us to run their Housing Loan Fund – that's the ringfenced funding for Bexley residents who are identified by the Bexley Housing team for a rent-in-advance or rent-deposit loan, and is ultimately underwritten by the Council. It's a great commercial arrangement between us and them – and due to its success and the growth of this fund (now over £0.5million) it became clear we needed to change the accounting treatment of the fund payments to more accurately reflect them as lending capital. Happily our external auditors (and consequently the PRA) got comfortable that the legal documentation now achieves this objective – and you'll see in our latest year end accounts, and in all future accounts, Bexley funding is accounted for, and reported as qualifying regulatory capital.

I have to say, getting the legal and technical accounting signoff for this approach is probably the singular most important achievement this year in terms of securing Kent Savers' funding stability in the medium term.

New People onboard: the office team and the Board of Directors both feel very different from this time last year – this is something I felt needed to be prioritised last year, and am really delighted with the talent, experience and enthusiasm of the people we've found to come onboard and support and believe in Kent Savers. Mary is our Head of Finance who joined in October. With a background as an accountant and financial manager in the not-for-profit sector she has remarkably quickly got to grips with the technical accounting and reporting role – she's smart, diligent, always calm and smiley – a great asset to the team. Karen and Becky also continue to do a really great job processing the constant workflow – as always, we all owe them huge thanks for providing the consistency and professionalism our members deserve.

We have 5 new Directors who bring wide ranging and complementary financial sector expertise and experience to the board – this is a great achievement, I think we've been really lucky to get them – they are all taking responsibility for specific pieces of work, I personally really appreciate the support and motivation they give me and the team.

Business Development – Partnership Working: We've revived some important partnership links with organisations that are well-placed to help us reach new members. We've worked closely with the Mid-Kent HR team to help them relaunch their staff benefits programme which includes our Payroll Deduction scheme for all of Maidstone and Swale Council employees. Ashford Council has also recently agreed to offer Payroll Deduction for Kent Savers savings and loan repayments and will launch this employment benefit in June. We've responded to several approaches from mid-sized private sector companies also interested in providing the scheme as part of their staff financial welfare programme – so in partnership with Employers I'm confident we can significantly build on our Payroll Deduction numbers next year, to increase both membership and, importantly credit quality of our loan book.

Other initiatives are also being developed with Citizens Advice offices and Housing Associations, and a not-for-profit online furniture provider who we can work with to encourage people away from the expensive Rent-To-Own lenders like Brighthouse.

Active Credit Control and Systems Optimisation: With the additional resources of new Directors who are generously providing their time and "rolling up their sleeves", we have been able to undertake some really detailed work on analysing and improving our new member online "onboarding" process, to make it both more efficient for Becky (our Members Services Officer)'s workload, and also compliant with the changes to the Anti-Money Laundering regulations – it's a great piece of work that will also inform our decisions about possible Open Banking investments in the future. We've also been able to dedicate significant "man-hours" to analysing the composition and status of our bad debts, personalising our communication with borrowers with missed payments and being more pro-active in seeking arrangements with accounts that are in default. The time investment in this exercise is really important – it will lead to improving the effectiveness of our credit control activities and I'm quite sure will result in reducing our delinquency rates going forward.

It’s already been explained that our financial results for 2017/18, and the extent of the deficit, are largely the result of a one-off adjustment following changes to accounting policies and therefore don’t reflect the true financial standing of the credit union on an ongoing basis. Nevertheless, we are keenly aware that in order to achieve a break even position, which we aim to do in the next (2019/20) financial year, we have to work very hard to grow the loan book by attracting more borrowers and issuing larger loans AND reduce our bad debt rates by being more proactive in the early stages of repayment problems and actively chasing down those that refuse to pay. These two objectives remain the top priorities of our current business plan – and of the performance objectives of my role, and I look forward to reporting improvements in both at next year’s AGM.