Chairman’s Report

 for the **2019 financial year**

 Bob Carson

This is my first report as Chairman. I accepted this responsibility following the Board meeting on 19th. July 2019. I would like to take this opportunity to give my warmest thanks to Alan Coultas who had chaired the Board for many years and then acted as Chair on a temporary basis following the tragic death of Nick Millar in November 2018.

This report and our Treasurer’s Financial Report cover the calendar year 2019. The unprecedented situation which we and the rest of the Credit Union movement finds itself in from March 2020 will be discussed in the report of Tony Brockley our Chief Executive at the end of the Annual General Meeting.

2019 was a difficult year. Alan’s report last year outlined the many challenges faced by the Credit Union movement and in particular the problems caused by the failure of the national Credit Union Expansion Project (CUEP). The failure of CUEP meant that the opportunity was lost to bring the credit union movement together and move it forward with a big step change in a fully funded way.

The Board and our CEO have been working over the last few years to provide a better more efficient service for members. This included members being able to manage their accounts remotely using mobile and home computing devices, should they wish to, whilst still having access to our banking hall and the important face-to-face contact with our staff.

Research was undertaken to find an affordable option to the system previously being developed under CUEP. A fully certified system called Progress, developed in Ireland and used by 180 credit unions between Ireland and the UK with 1.4m accounts with over £2billion in savings and £990million in loans, was chosen and the investment made. Progress provides full current account facilities and can be accessed by mobile devices. It has powerful accounting and management tools to help us tighten areas such as credit control. A debit card has also been launched. Our CEO will outline what this has meant and will mean for the future in his report. The investment is a major step and we are the first credit union in the North East to implement full on-line banking facilities.

The main aims of the Progress system are to help improve loan decision-making, tighten and improve the monitoring of bad debt and improve workflow.

The new banking platform, the Progress system was launched in late 2018. Our staff underwent a major training programme and adaptation to the new system was at times problematic. A feature of the original package was to be a facility for Straight Through Loan Decisioning and this has not materialised as envisaged. We are currently looking into a suitable ‘add-on’ for this facility.

In 2009 our membership was 400, by early 2018 it stood at over 6,500. This rapid expansion and the expectations of our members led to the need to substantially upgrade our systems as mentioned above. Whilst this transformation of our methods was taking place in 2018 and the early part of 2019 it would have been problematic in parallel to embark on a further rapid expansion. The consolidation phase was referred to in last year’s AGM report and this period of consolidation has extended into 2019.

Janice Lincoln, our treasurer will present the Financial Statements shortly. We are disappointed to show a deficit for 2019 of £68K. Over half the deficit is due to a reduction in grant income and the remainder is due to loan income being below budget and the continuing bad debt problem. Our ambition is to minimise dependence on grant income but it still remains important. Towards the end of the Financial Year efforts were successful in getting loan income back on budget.

Bad debt at the end of the year stood at £373.7k and is significant. It is a prime goal to reduce this and success would have clear impact in generating higher surpluses and a strengthening of the balance sheet.

Keeping bad debt under control and minimising risk is a major challenge for DCU and for the whole of the credit union movement in the UK. An important part of our customer base includes the lower paid and those on benefits. Freezes to benefits and the dysfunctional universal credit system have had a damaging impact in our community and on many of our members, pushing them into debt. We help when we can and keep our charges to a minimum but always have to hold in mind the risk of bad debt. An issue that became more apparent during the year is that an increasing number of our clients have been taking out Individual Voluntary Agreements (IVA’s)’s which have had the impact of substantially reducing our income. There are companies offering advice regarding IVA’s without full explanation of the consequences regarding credit scores, and future problems clients may have in getting a mortgage or even when renting.

There is a big underlying personal debt problem in the UK. It bears repeating that a Royal Society of Arts survey of working people showed that 30% responded as being comfortable, 40% that their finances were “permanently precarious”, whilst the remaining 30% said they were “not managing to get by”. This is the context in which we are working to help our community and membership.

The Money Works project continues to play a very important role in helping members to budget and manage their finances, including debt, and we are determined to sustain this service in the future. We are grateful for the continued funding of this important project by the Morrison Trust through their Big Lottery funding although this source of funding is due to end in 2020.

Your Board continues to meet monthly. There were 11 board meetings in 2019. Our Finance & Business Development Committee also meets regularly. We are grateful to Bernadette Hunt for her excellent record keeping at meetings. The management of risk is always a major part of discussions at meetings.

Our 6,623 members had total share deposits of £3,180,095 of which we had loaned £2,134,365 at the year end.

We are proud of our work in the school community serving 13 schools with 1407 savers and £172,909 of deposits. With the new on-line banking and mobile access facilities it is our aim to attract teenage students at our secondary schools and colleges.

Our corporate membership base is strong and building, standing at the year end at 66 organisations with £320,969 of deposits.

Serving as a trustee is demanding but highly rewarding and I pay tribute to those who served throughout 2019 and those who continue to serve. We owe a big debt to all of our volunteers who work at our collection points and those on our supervisory committee who scrutinise the work of the executive and the trustees. To be able to implement a Vision **“**to be a leading, sustainable business which facilitates and improves the financial wellbeing of our community and its people” is a high calling and vital in building local financial resilience.

Board members Joe Hannon and Sam Johnson retired during 2019. We are very grateful for their contributions. Your Board gave special attention particularly to replacing Sam Johnson, our Treasurer. Sam was a conscientious Treasurer and we express our gratitude for his hard work during a difficult period.

During the year we co-opted Carol Miller as a Trustee and Director. Additional co-options of Nigel Foster, Matthew Roche, Janice Lincoln and Matthew Snedker have been made in 2019. These nominees all joined the board officially following approval at the 2018 AGM held in June 2019. All the new board members have contributed their time and energy unstintingly. We are particularly grateful to Janice who agreed to take on the onerous role of Treasurer

An important relationship is that with Darlington Borough Council and I express my grateful thanks on behalf of the Board for their on-going support and encouragement.

I thank our other partners particularly The Morrison Trust who we have worked with for a number of years and attracted Big Lottery funding for the Money Works project. Thanks also for support in the recent past by the Lloyds Bank funded Credit Union Foundation.

Our success to date has been built on unswerving teamwork and trust. The passion and enthusiasm for the credit union ethos and Darlington Credit Union by Tony, Jo and his team is acknowledged. The tenacity, hard work and loyalty of our staff has given DCU a respected position throughout the Darlington community and much further afield. All of us owe you a great deal. Thanks are due to all our staff for staying strong through a difficult year and never losing sight of the vision. During the year Selina Tsang and Tom Brockley left for pastures new. We thank them for their hard work and energy and wish them well for the future.

A big thank you is due to all of our members for putting your faith in a local mutual organisation which belongs to you and works for you. You are helping to build a financial entity which can reach out to many more people and can grow to be the financial institution of choice for the majority.

Clive Owen & Co have been supportive auditors during the year working with great diligence. Being able and willing to offer themselves for re-election at the AGM we ask you our members to support this proposal

I commend this report to you.

**Bob Carson**

**Chairman**

**Darlington Credit Union**