



Wiltshire & Swindon Credit Union

Annual Report for the 2021 Annual General Meeting of Wiltshire and Swindon Credit Union

For the year October 2019 to September 2020
and including updates to February 2021.

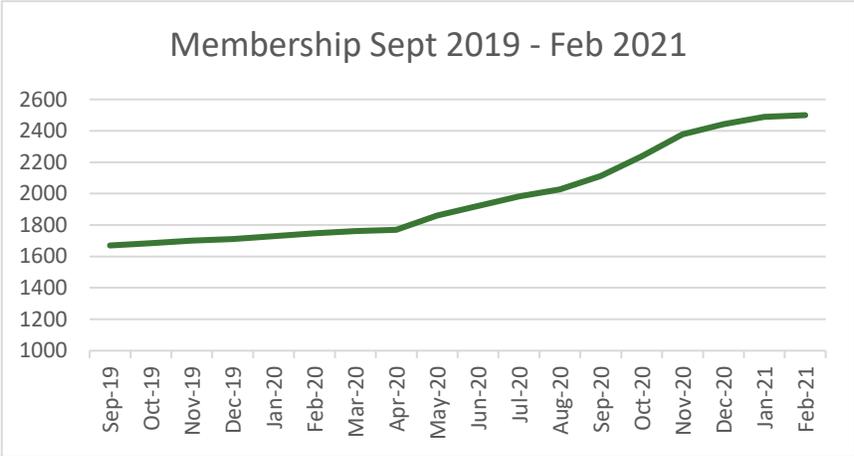


Wiltshire and Swindon Credit Union, Unit A, George Hall Court, Cavendish Square, Swindon SN3 2LZ
Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the
Prudential Regulation Authority FRN 213793

Growth of our Credit Union

Membership

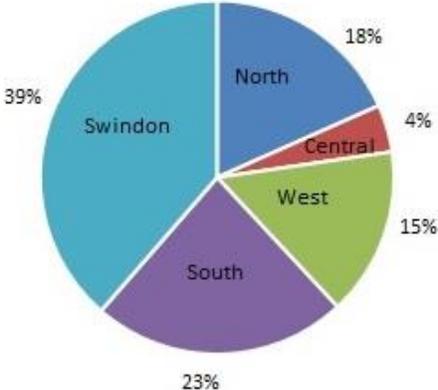
During the year up to September 2020 our active membership grew from 1670 to 2113, representing an annual growth of 26.5%. This has continued from that point, with our members reaching 2500 by the end of February 2021.



Note that an “active” member is defined as someone who has transacted with us recently, and has the minimum £5 saved in their shares account.

Much of our recent growth has been in Swindon, as shown in the next chart, even though our marketing has been across the whole of the county. This is possibly because of recommendations passed by word of mouth to friends.

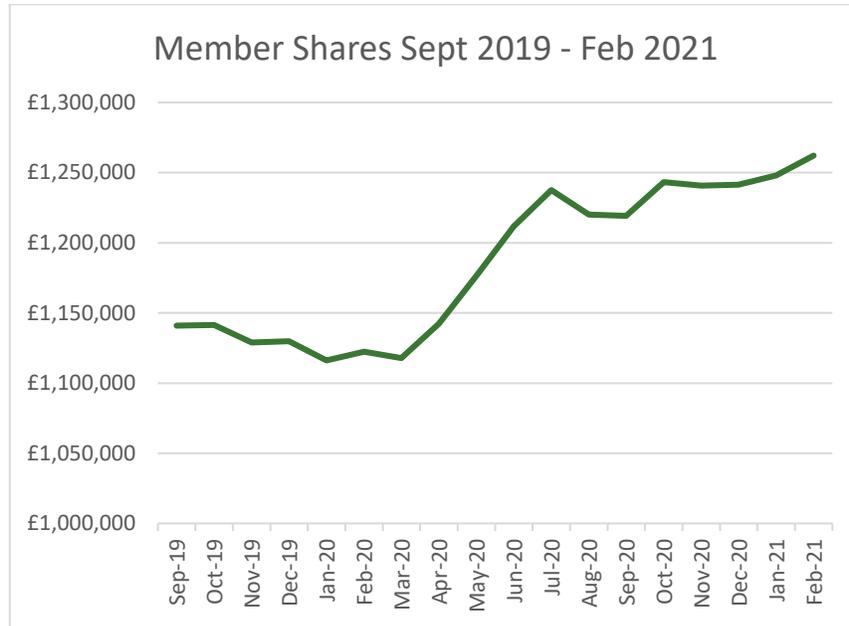
Membership Distribution February 2021



Savings

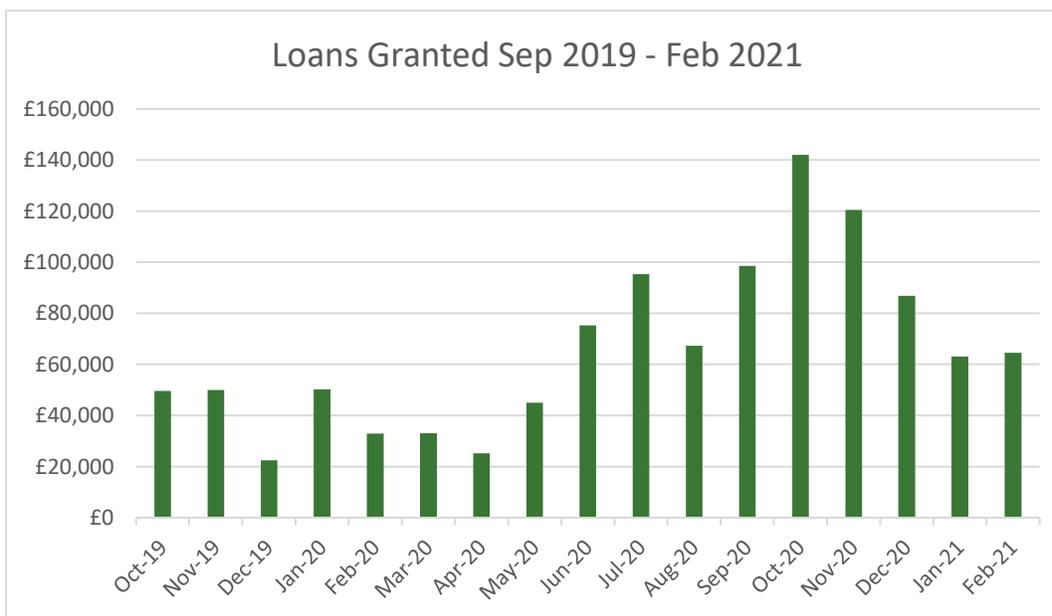
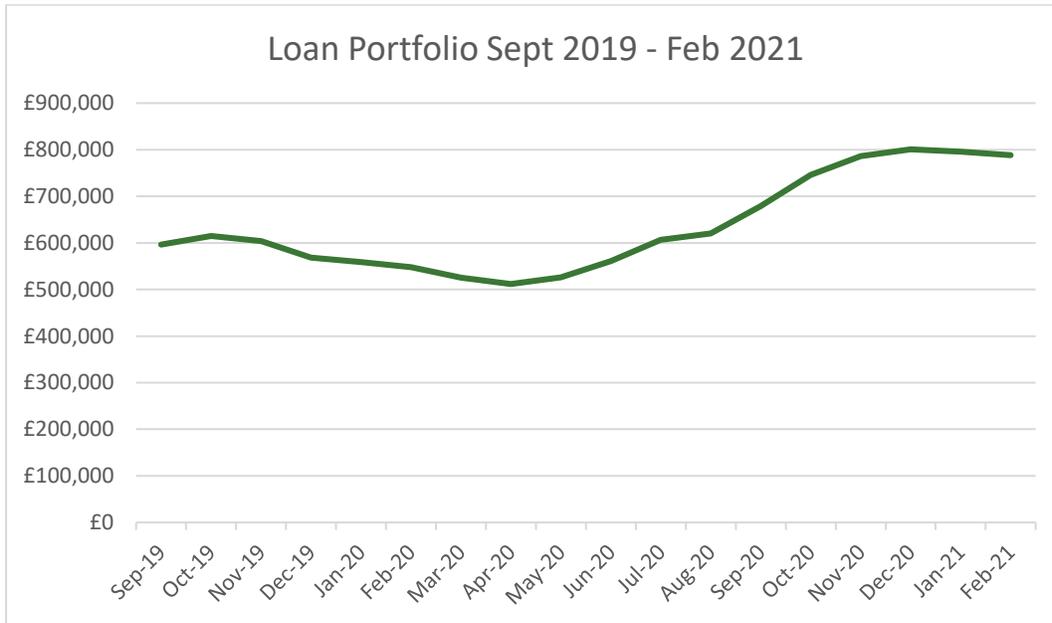
Over the same period the level of savings by members grew from £1,141,473 to £1,219,174, an annual increase of 6.8%. Whilst this growth is below that of the increase in membership, it should be noted that these figures include long-term deposits by inactive and dormant members. At the end of February 2021 the level of savings was £1,262,152.

The chart shows that the level of savings declined in the first part of the financial year, but then showed a sharp increase as the coronavirus pandemic set in and members managed to spend less and save more. The level of savings is now rising slowly again.



Loans

Loans grew from £596,603 to £679,229 during the year, an overall increase of 13.8%. This overall picture obscures a fall in the loan book to £511,790 by April 2020, which was caused by a combination of a deliberate strategy to reduce the granting of higher-risk loans and the early effects of the coronavirus pandemic. Between September 2020 and February 2021 the level of loans grew further to £788,255, bolstered mainly by the Family Loan product which was introduced in May 2020.



Working in the Communities

Over the past year we have been focusing on bringing the credit union into communities. The idea of “community” is quite wide, and we have been looking at the various aspects of this.

- Before the onset of coronavirus, we ran a network of community collection points around the county, managed by local volunteers and offering services to members on a regular basis. Sadly these had to be stopped last year because of the pandemic and lockdown, although the collection point at Cavendish Square continued operating for most of the year
- We have been seeking to expand our work with local employers, and have linked up with local chambers of commerce in order to link up with local employers. In the summer of 2020 we agreed a scheme with Swindon Borough Council to provide a preferential loans scheme for their employees, with loans repayable through the payroll. This was in addition to the payroll savings scheme that was already in place. We are currently providing payroll savings schemes with a number of employers in the county, and are looking to expand this. These schemes provide an easy way for members of staff to save on a regular basis, so they can then turn to us when they need to borrow money. It is recognized that a lot of informal and illegal lending takes place in workplaces, and this is a good way to provide protection against this practice.
- Our online communities have been expanding fast. Since 2019 our Facebook following has doubled from 169 to 336. Similarly our followings on Instagram have risen from 306 to 424 and on Twitter from 225 to 301. Many people use these forums for keeping in touch with their interests, so it is important for us to keep them up-to-date and relevant, so we reach more people.
- Our website is an important asset for us, and we recognize it as being a primary way of making ourselves visible. We have put a lot of work into redeveloping this, with the help of some very willing and able volunteers, adding more and more relevant content in order to make it a useful site for our members to visit, and to attract new interest. We launched our new website in March 2020, and now receive an average of 4,600 page views per month.
- In addition to the information our website provides, members can use it to enquire about their accounts, request withdrawals and apply for loans. There is also a phone app available which provides the same online banking facilities – a convenience that is becoming an important part of daily life for many people.
- During 2019 we started working with Swindon College to provide courses from our Cavendish Square offices, focusing mainly on those related to family finances and budgeting. Due to the coronavirus pandemic these were curtailed, but we are keen to move forward with this relationship in the future. Our Cavendish Square offices are an important asset for us, provided to us by Swindon Borough Council, our intention is to use them to best effect for services to our members and outreach in the community.
- We have continued to work with the Illegal Money Lending Team to support efforts to combat loan shark activity in Wiltshire. This includes not just doorstep lending and informal lending in pubs and social venues, but also illegal lending in the workplace.

Meeting Members' Expectations

It is important for us to gather feedback from our members about the services we offer, so we can continue to improve. The questionnaires we have sent out provide us with a lot of valuable information, which we can then feed into our plans and strategies.

- 54% of our new members learned about the credit union from a friend or colleague. We are aware that many new members have young families, so a recommendation made from one parent to another at the school gate or in the workplace is very effective. Our website and social media presence have also been highly effective in attracting new members.
- The feedback we have received regarding the service our office team provide has been consistently good, with a rating of around 90%. We are always striving to build up a good relationship with our members, so we can provide the help they need.
- Most new members come to us because they need to take out loans in the region of £500, often to replace household goods. High-street banks do not provide loans of this size, and they require very good credit ratings. In response to this need, we developed our Family Loan, which has proved popular and has met this demand.
- Over 85% of our members prefer to be contacted now by e-mail about our services. This is a fast and efficient method of communication, so we would encourage our members to provide us with their e-mail address, where possible, and to keep this up-to-date.

Benefit to the Community

During the year October 2019 to September 2020 we welcomed 445 new members into the credit union. As of February 2021, these members had saved £39,279 between them, an average of £88.27 per member.

In the same period we granted 588 loans to our members with a total value of £644,788. This broke down as follows:

Loan Value	Number of Loans	Total Value
Up to £500	413	£188,895
£501 - £1000	62	£51,795
£1001 - £3000	65	£133,021
£3001+	48	£271,076
TOTAL	588	£644,788

Of these, 475 were of loans up to £1,000 which would not have been obtainable from high-street banks, regardless of a member's credit history. Without the presence of a credit union, members would have had to turn to high-interest lending companies charging interest rates in the region of 200% - 500%. The amount of money saved for these people by coming to the

credit union (the difference between what we charged and what a high-interest lender would charge) was around £240,000, which is over £500 per person.

Operations and Volunteers

In January 2019 we merged our operations and offices, taking advantage of the office complex at Cavendish Square in Swindon. This meant saying farewell to some long-standing and valued members of staff in Salisbury, but it was seen by the board as being strategic to our future growth. We have now built a good operations team in Swindon, with Bridget, Amy and Gemma providing front-office member services, and Lisa managing our payroll schemes and bookkeeping. Our team is supplemented by two long-standing volunteers, Peter and John, who manage bank transactions from their homes in Salisbury.



All our members of staff have the capability to work from home, and we have recently installed a cloud-based phone system so we can provide services to our members from outside the office. Once the coronavirus pandemic has normalized, we intend to return to the office as our main processing base.

We continue to use Curtains as our member and accounting database. We are grateful to our IT director, Paul Walsh, and volunteers from Nationwide Building Society, who have ensured this database is secure and protected from cyber-attacks, which sadly are a fact of modern life.

We have been working with Incuto, a fintech company specializing in credit union products, to provide front-end services to our credit union. This includes loan application processing through our website as well as marketing and communication tools. Incuto are actively developing new features, which we will make available to our members when they come onstream.

Our credit union has always been very reliant on volunteers, who give a lot of their time to the organization. There are too many people to mention here by name. This work has included

- Managing collection points for our members
- Managing our website and social media
- Working with local employers and partner organisations

Although the coronavirus pandemic has changed the way we work with our members, we will always need volunteers to help us in many ways. Our best publicity has always been by word of mouth, either from volunteers inviting people to join, or from member to member. This

continues to be the case, and we will be reliant on volunteers to help with this. If you would like to join the team, with whatever skills or time you have to offer, please get in touch.

Lending Products

We continue to offer a range of lending products to our members.

- A Loyalty Loan, based on a member's savings, offering loans of up to £10,000, at rates ranging from 0.5% per month (6.2% APR) to 2.5% per month (34.5% APR)
- A Secured Loan, secured completely against a member's savings, up to £10,000 at a rate of 0.375% per month (4.6% APR)
- A Standard Loan for members who have successfully borrowed from us before but who do not have sufficient savings for a Loyalty Loan, up to £3,000, at rates from 2.5% per month (34.5% APR) to 3% per month (42.6% APR)
- A Family Loan for members who can make repayments using their Child Benefit Payments, up to £500 at a rate of 3% per month (42.6% APR)

In November 2019 the Introductory Loan, available to new members who had no saving history with us, was withdrawn due to the delinquencies we were experiencing with the product.

This year we are proud to have been awarded the FairLife award for our savings and loan products. This is a trading mark awarded by the FairLife Charity, and which represents a pledge to:

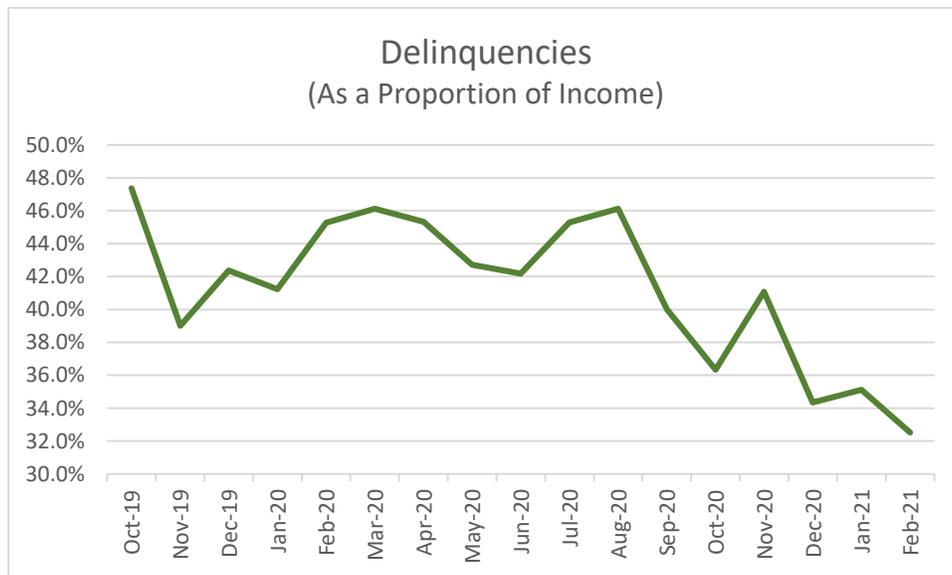
- Price our products honestly,
- Trade with our members fairly,
- Commit to putting the wellbeing of our members at the heart of the Credit Union,
- Embrace industry/market good practice,
- Follow the spirit as well as the letter of our regulator's rules and principles and
- Never charge additional, hidden or penalty fees.

Managing Bad Debt

During the previous year, up to September 2019, we experienced high levels of delinquency, which were accounted for in the audited accounts for that year. These delinquencies continued to work through our accounts during the first part of this financial year, and we reached a position where our capital-to-assets ratio fell below zero. Following advice from the Bank of England, we approached Swindon Borough Council for support, which they provided in the form of a subordinated loan of £70,000 in April 2020. From that point we made steady progress, showing an overall profit from that point.

As a result of our experiences, coupled with the uncertainties brought on by the coronavirus pandemic, we have been focusing over the past year on a lower-risk lending strategy. This will include:

- Further promotion and expansion of the Family Loan product, whereby members can repay loans by redirecting their Child Benefit payments to us.
- Loans which are repayable through Employer Payroll Deduction schemes
- Loyalty and Secured loans, using member savings as collateral
- Further analysis and tightening of our loan assessment processes



Officers & Staff of Wiltshire & Swindon Credit Union 2019-20

Board			Attendance
Bob Brice		Resigned March 2020	2/6
Fiona Cox	Business Development Lead	Resigned September 2020	10/12
Collin Fox	Marketing Lead	From April 2020	5/7
Clive Henly	Chair		12/12
Andrew Hill	Swindon Borough Council	Non-voting board member	1/12
Donna Jones	Treasurer	Resigned October 2019	1/1
Henry Pitura	Loans Committee Chair	Resigned July 2020	6/9
Steve Purcell	Loans Committee Chair	From July 2020	4/4
Sam Selman			5/12
Kim Trueman	Legal & Regulatory Lead	From December 2019	10/12
Beverley Turton	HR Lead	February – April 2020	4/5
Paul Walsh	IT& Infrastructure Lead	From December 2019	11/12
Sue Weber	Treasurer	From November 2019	11/11
Supervisory Committee			
Trevor Stinton	Supervisory Chair	Resigned September 2020	4/12
Cindy Chak	Internal Audit	From March 2020	7/7
Stefan Ward	Supervisory Chair	From September 2020	2/2
Staff & Office volunteers			
Amy Haines	Accounts Assistant		
John Lawrence	Volunteer		
Peter Lawson	Volunteer		
Gemma Sadler	Credit Controller		
Bridget Shone	Accounts Manager		
Lisa Weaver	Finance Officer		

We are also indebted to the large number of volunteers who have managed our collection points around the county during the year, which sadly have been closed during the coronavirus pandemic. We thank you all, for all you have done, and the time you have generously given.

Finance Report

Income and Expenditure

	Note	2018-2019	2019-2020	To Feb 2021
INCOME				
• Interest on Loans	1	£120,884	£120,708	£67,539
• Other income	2	£14,362	£20,014	£14,143
• Gain on SACU merger	3	£25,496	£0	£0
TOTAL		£160,742	£140,722	£81,682
EXPENDITURE				
• Administration	4	£89,340	£72,012	£29,918
• Other operating expenses	5	£22,208	£24,111	£15,955
• Impairment losses	6	£116,842	£51,484	£26,569
TOTAL		£228,390	£147,607	£72,442
Profit/Loss		(£67,648)	(£6,885)	£9,237

Notes

1. Includes interest earned from bank deposits
2. Includes membership fees and grants
3. Effective 1st October 2018
4. Includes wages, operating and administration costs
5. Includes regulatory and rental costs
6. Costs of defaulted loans and provision for delinquencies

Balance Sheet

	Notes	September 2019	September 2020	February 2021
ASSETS				
• Loans to members		£596,603	£679,229	£792,882
• Bank deposits		£549,391	£600,910	£506,412
• Other assets	7	£12,701	£11,708	£13,036
TOTAL		£1,158,695	£1,291,847	£1,312,330
LIABILITIES				
• Member shares		£1,153,166	£1,230,840	£1,262,152
• Other payables	8	£27,703	£20,066	
• Subordinated Loan	9	£0	£70,000	£70,000
• Retained Capital		(£22,174)	(£29,059)	(£19,823)
TOTAL		£1,158,695	£1,291,847	£1,312,330

Notes

7. Tangible fixed assets plus accruals
8. Taxes, grants etc.
9. Loan from Swindon Borough Council, repayable 2025 – 2027.

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Business Ratios for the Year

The board monitors the progress of the credit union using a series of business ratios.

- The Capital to Assets Ratio is a regulatory measure of the viability of the organization. The minimum level to which this can fall is 3.0%, at which point the Bank of England will step in to work with the board to rectify matters. In early 2020, as the delinquencies from the previous year took effect, the accounts for 2018-2019 were re-evaluated, resulting in a modification to the end-of-year accounts, with the consequence that the Capital-to-Assets Ratio for the end of year fell to -1.9%. A subordinated loan was negotiated with Swindon Borough Council to rectify the matter, restoring the ratio to above 3.0%. Since that point it has grown steadily, and our target is to approach 5.0% by the end of the financial year.
- The Loans to Assets Ratio shows the proportion of our overall assets which is actively “working” in the form of loans to members. The more which is working, the higher will be our income.
- The planned level for the Delinquencies to Income Ratio is around 35%. This shows the balance of risk we have taken with the loans have granted. The ratio dropped steadily during 2019-2020 as the historic bad debts worked through the books, and has stabilised. However, this is always at risk due to economic circumstances beyond our control.
- Our operating costs will increase as the amount of business we transact increases. They cover not just staff costs, but also IT, regulatory and legal costs. As a percentage of our income, we aim to reduce these costs as the income of the credit union grows.
- Once the sum of the Delinquencies to Income and Operating Costs to Income ratios consistently fall below 100%, the credit union will make a profit, allowing the Capital to Assets Ratio to grow.

Ratio	Sept 2019	Sept 2020	Feb 2021	Target EOY
Capital to Assets	-1.9%	3.2%	3.8%	4.5%
Loans to Assets	52.7%	53.9%	59.9%	74.3%
Delinquencies to Income	84.2%	40.0%	32.5%	34.0%
Operating Costs to Income	101.1%	68.9%	56.2%	53.9%

Supervisory Committee Report

This team represents members' interests ensuring that the Board and Management of the Credit Union meet the required financial reporting objectives and establish practices and procedures sufficient to safeguard members' assets.

Specifically, the Committee must: -

- Ensure that the policies and procedures of the Credit Union are being followed, through a continuous appraisal of the overall effectiveness of the Union's control systems.
- Ensure that accounting records are prepared promptly and accurately, and that they are in order.
- Act as an independent, internal auditor.

The supervisory committee has developed considerably during 2020: it is now led by Stefan Ward, with an experienced individual carrying out internal audit inspections. Neil Cosburn and Chet Shah have joined the supervisory committee, to provide further support and guide the Board's focus. Together the team can apply over 80 years' experience in banking and financial services to help the credit union grow securely.

Prioritising their efforts where risk is greatest, the Supervisory Committee has seen and supported great progress in the Union's control systems via refreshing of policies and refining processes, a new risk register implemented highlighting key risks systematically for the board to manage. The Supervisory Committee has provided written or verbal reports to every board meeting. Where issues were raised, action was taken to mitigate risks and strengthen processes or policies.

One of the key roles of the Supervisory Committee is to ensure that the Board complies with regulatory requirements and we can confirm that regulatory returns have been completed and returned as required.

Going forward we work through the points raised by the external auditor in their report and will work with the Board to consider any actions needed to protect members' interests.

Auditor's Report

Lindley Adams have stated that in their unqualified opinion the statutory financial statement gives a true and fair view of the state of Wiltshire and Swindon Credit Union's affairs as at 30th September 2020 and of its income and expenditure for the year then ended.

A full copy of the credit union's accounts and auditor's full report are available to all members on the website. Lindley Adams have also confirmed their willingness to be reappointed for the coming year, which needs confirmation by the members at the AGM.

General Statements

Annual statements

To save costs and to be environmentally friendly we no longer issue annual statements. Members can access their account information through our website to obtain information about their balances and transactions. There is also a mobile app available (which can be downloaded from the website). Those members who do not use our online services may request statements by post by calling us on 01793 522216 or by sending an e-mail to office@wascu.co.uk.

Contact details and e-mail addresses

It is really important that all members keep us up to date with current contact details, especially their home addresses and e-mail addresses. This may be done either through the website, or by contacting us by phone (01793 522216) or e-mail (office@wascu.co.uk).

Regulatory declaration

As part of Bank of England regulatory requirements, we are required to make certain declarations to our members at the AGM. Accordingly, Wiltshire and Swindon Credit Union declares that it:

- Complies with the requirements for deposit protection by the FSCS up to £85,000 per member and specifically can identify eligible deposits and generate the required data to the FSCS within the required 24 hours.
- Insures itself in respect of every description of loss suffered or liability incurred by reason of the fraud or other dishonesty of any of its officers, employees, consultants or volunteers and is currently covered to 30 September 2020.
- Does not undertake any activity (other than that of a traditional credit union) that requires additional regulatory compliance measures.