

Annual Report

For the year October 2014 to September 2015

Produced for the Annual General Meeting, 25th February 2016



During the year we held a reunion of past volunteers to celebrate the Credit Union's 18th birthday. The picture shows founder members, many of whom are still actively involved.

Gateway Credit Union Annual Report 2014-15

Summary

This is a report on the activities of Gateway Credit Union during the year October 2014 to September 2015, prepared for the Annual General Meeting in February 2016. During the year we consolidated the changes made in the previous year, continuing to grow our lending, broaden our appeal and serve the people of Torfaen and Monmouthshire with safe savings products and loans on fair rates.

Membership

Overall, membership fell during the year, but the number of active members increased. During the year we attracted 497 new adult, 2 corporate and 69 junior members. However, we also closed 671 accounts, mostly through the levying of the dormancy levy which closed dormant accounts holding less than £2 and the introduction of the annual membership fee in September 2015 which closed the accounts of a further group of members with less than £2 in their accounts. We also improved our procedures where people join online, closing a number of unused accounts.

The result has been to ensure that we avoid incurring costs on a 'per head' basis for members who are no longer using the Credit Union. A priority for the current year is to understand why members might cease to use the Credit Union and to try to engage with these members more effectively, as well as attracting new members at a faster rate.

Priorities for the year

Having returned to surplus in 2013-14, the focus during 2014-15 was to grow our lending while ensuring that costs were held down and bad debt remained at low levels. The aim has been to continue to provide affordable credit to a growing number of low income members but to also increase the number of larger loans to people in employment, particularly people repaying via payroll.

Welsh Government funding for Credit Unions is tapering each year and is expected to end completely in April 2017. The Board set out a challenging business plan aimed at achieving sustainability; covering our current operating entirely from earned income by the end of Welsh Government Funding. We expect to achieve this by steady growth in savings and rapid growth in lending, attracting not only our traditional members but also borrowers who are looking for a better deal than their banks can offer.

At the end of 2014 the Board reviewed options to increase income and/or reduce costs. Options considered included further reductions in staffing, closing a branch office, withdrawing the group life insurance policy for members, introducing transaction charges to pass on our rising bank charges to members and introducing an annual membership fee. The proposal to introduce an annual membership fee of £2 was approved at the AGM in March 2015 and it was levied in September 2015. The amount of savings covered by the life insurance was also reduced to £2500. With these measures and a concerted effort to reduce costs on items such as printing and energy any further cuts were avoided.

Lending

Lending rose throughout the year, and while our traditional business of small loans for household items, Christmas and holidays grew only slightly, larger loans grew by over 30%. The rate of growth accelerated as planned after the launch of our new online lending portal in June 2015. Towards the end of the year we started advertising via Facebook and the Free Press website, with potential members clicking through to our website and able to apply for loans immediately.

At the end of September 2014 we had £757,439 out on loan and at the end of September 2015 lending had risen to £906,495. It has since risen to a high of £1,094,000 in December 2015. Loan interest rates and policy have remained consistent since May 2014, while our focus has been on streamlining our processes to ensure fast and robust decisions. Although we now have the benefit of lending tools developed by the DWP funded Credit Union Expansion Programme in partnership with Experian, we continue to assess every application individually, based on a careful assessment of the member's household finances. Loan decisions are taken by two of the lending team, comprising members of the Credit Committee and the staff team. During the year we approved and issued 917 loans totalling £910,549, generally within 2 working days of receiving all the requested information. 756 of these loans were under £1000.

Credit Control

We continued to refine our credit control processes during the year, bringing arrears beyond 1 month to within our target of below 5% of the loan book. While we always take a sympathetic approach towards borrowers in difficulty, recovery of bad debt written off in previous years is now a significant source of income for the Credit Union, and court action is now regularly taken against defaulters where other approaches have failed. Loans totalling £6,487 were written off during the year.

Savings

During the year savings continued to grow steadily from £1,573,602 in adult savings and £143,453 in junior savings to £1,730,593 in adult savings and £154,889 in junior savings.

Transactions

While many members save through the year and make one or two withdrawals, an increasing number use the Credit Union for a larger number of transactions. A small number of members use us as their only financial services provider, with benefits being loaded to our prepaid debit card and rent paid via our rent account. We now handle over 3000 transactions in a typical week.

Innovation and change

This was a year in which we made few major changes, focusing on achieving the goals set out in a challenging business plan, and on improving our processes to give members a good service whether they contact us by phone, post, email, web or in person.

We are now seeing many more payments coming in electronically than in cash, and a growing number of members are using web, phone and email services instead of coming in

to see us. Withdrawals are now made almost entirely by transfer to bank or debit card, although we retain the option of cashing cheques for those members who request it.

One innovation was the introduction of business start up loans, working with Torfaen Economy and Enterprise. We also introduced a car loan scheme for Melin staff.

We also welcomed two new payroll partner employers, Cartrefi Cymru, and Celtic Manor Resort, where we are working closely with Newport Credit Union.

The Board

Gateway has a skilled and dedicated team of Board members, many of whom also take an active day-to-day role in the running of the Credit Union.

Board members during the year were Brian Phippen (Chair), Ian White (Treasurer) David Williams (Managing Director), Jackie McKenzie, Phil Jenkins, Simon Davies, Rod Senior, Tony Redhead, Mark Watkins, and Malcolm Jones who joined the Board in March 2015. .

Volunteers

We continue to rely on the dedication of over 60 volunteers across both counties. Shelagh Adkins and Graham Benfield retired from our Supervisory team during the year. Paul Erckens, Alan Priday and John Wright continue their scrutiny of all the Credit Union's activities. We depend on volunteers who assess loans and undertake diverse roles at Head Office, as well as all those who serve members in their local area, and school staff who give their time to run Savings Clubs. During the year we recruited a number of new volunteers, saw others leave us for employment or due to family responsibilities, and appointed two volunteers to staff posts.

Staff

The Chair and the Board would also like to acknowledge the hard work and commitment of the staff team. The reduction in operating costs during the year is largely because of the cut in staffing which took place in August 2014, and the team have worked hard to ensure that this did not result impact on levels of service.

The year included several staffing changes, with three members of staff moving on to alternative employment. Sara Burch was confirmed in post as General Manager, with Kay Evans as Team Leader. Lorraine Symes replaced Helen Gilman as Finance Officer in April 2015 and Megan York left us in June 2015 and was replaced as Loans Officer by Jessica Meek. Liudmila Atkins left us in November 2015 and her Credit Control duties were taken over by Natasha Saraireh. This allowed us to create the role of Membership Officer within the same overall staffing budget, and Amanda Herbert joined the staff team at the end of 2015. We also took over employment of our shared Debt Recovery Officer, Ross Edwards in September 2014. A staff pension was introduced for the first time from July 2015 and staff received the first pay rise in 2 years in October 2015, reflecting the Credit Union's stronger position and our aspiration to become a Living Wage Employer.

Partnerships

We are fortunate in having the support of our partners in both counties. Key partnerships include Torfaen County Borough Council and Monmouthshire County Council who allow us

to operate from their premises, encourage schools to open savings clubs, and promote payroll deduction to their staff and membership to local residents. In Torfaen, members are able to pay cash at TCBC Cash offices. As Councils have reduced and combined services we greatly appreciate their commitment to still offering us space. We have transferred our services in both Cwmbran and Caldicot to the Library alongside the Council customer service team. We continue to share offices in Abergavenny with Monmouthshire CAB.

We continue to take part in Welfare Rights and Financial Inclusion Partnerships in both counties, and to work closely with Communities First in Torfaen. We know that many of our members are struggling financially as a result of Welfare Reform and wider economic trends and that this is likely to continue. Our ethos continues to be one of supporting members to maximise their income and manage their money wisely.

We continue to benefit from the support of Melin Homes, Monmouthshire Housing Association, Bron Afon Community Housing and Charter Housing in promoting credit union membership to their tenants, and promoting payroll membership to staff. Our partnership with other Gwent Credit Unions and Aneurin Bevan University Health Board to encourage health workers to join was noted by Welsh Government as an example of good practice.

We also work with a range of community and voluntary organisations across Torfaen and Monmouthshire, and have longstanding relationships with the Methodist Church in Llanyravon, TRAC2, CoStar, Thornhill Community Centre, Abergavenny Community Enterprise and Torfaen Voluntary Alliance.

Funding

During the year we continued to receive funding and support from the Welsh Assembly Government for our core running costs. We also received support from the Credit Union Expansion Programme, and continuing funding from the Tudor Trust for our office in Abergavenny. We also received support from the Communities First programme. Our total income from grants and funding was £85,812, considerably less than previous years.

Financial performance

Our income from loan interest rose to £126,039 during the year, up from £115,001 in 2013-14. Total income during the year was £243,319. Expenditure fell during the year from £265,767 in 2013-14 to £228,975 and we ended the year with a surplus of £11,588.

Summary

The Credit Union celebrated its 18th birthday, with a reunion of most of the founding volunteers (see front cover). Whilst still relying on grant support, Gateway Credit Union can be said to be celebrating its majority as a well-run institution providing a broad range of ethical financial services to members across Torfaen and Monmouthshire, making a contribution to local regeneration and delivering products and services which are attractive to members from all income groups.

Dividend

The Board have recommended a dividend on savings of 0.25% be paid for the year.