

## **Annual Report**

**For the year October 2017 to September 2018**

**Produced for the Annual General Meeting, February 2019**



During the year we continued to develop our payroll membership. This was one of the images we used in promotion.

# Gateway Credit Union Annual Report 2017-18

**This is a report on the activities of Gateway Credit Union during the year October 2017 to September 2018, prepared for the Annual General Meeting in February 2019. During the year, we continued to grow in line with the business plan, growing our lending, working to provide excellent service for our existing members and attract new ones, serving the people of Torfaen and Monmouthshire with safe savings products and loans on fair rates.**

## **Membership**

Membership grew during the year. We not only gained more new members, but also closed fewer dormant accounts. Active adult membership rose from 2829 from at the end of September 2017 to 3047 at the end of September 2018, and we now once more have over 3300 active adult members. We continue to be pro-active in contacting members whose accounts have become dormant or who join but have not saved regularly, as well as having a target of attracting 60 new members a month. A particular issue has been that people join online, often to apply to borrow and do not convert to active membership, and processes have been put in place to remind and encourage them.

In a competitive financial services market, our challenge remains to keep membership of the Credit Union at the core of members' personal finances, and to turn one-time borrowers into long-term savers.

## **Priorities for the year**

The Credit Union's priority remains to reach sustainability in covering core costs from earned income, growing our lending while ensuring that costs are held down and bad debt remains at low levels. Our aim continues to be to provide affordable credit and accessible savings 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. We have been focused on providing the best service we can to members while becoming more efficient.

We were successful in securing project-based funding for 2017-18, for a Payroll Development Officer shared with Newport CU, a Customer Service trainee, and improvements to our telephone system in the branch offices, as well as a small contribution to general staffing. This project was completed in March 2018 and we secured further funding for development across Monmouthshire and Torfaen until March 2020. Our Customer Services Trainee Alisha Crimmins has become our Membership Officer, and we have two part-time development workers building partnerships and recruiting members across the area. We are also a partner in joint marketing activity under the Credit Unions of Wales 'brand' and in a joint project to add a phone-friendly app to the options for members.

During the year we undertook projects to bring our branch offices into the telephone network and improve our IT security. We also reviewed all our processes for compliance with GDPR.

This has been a challenging year, with the roll-out of Universal Credit affecting many of our members and their families and Brexit uncertainty affecting wider consumer confidence. We saw an increasing number of members seeking debt solutions or asking for reduced payments or payment holidays, and some larger loans being paid off early or refinanced elsewhere.

## **Lending**

Lending rose over the year with the total amount out on loan growing by 17% in the year. We continued to attract a mixture of applications, with our traditional business of small loans for household items, Christmas and holidays mixed with larger loans for cars, home improvements and increasingly, debt consolidation. We had a highly successful start to the year with very strong Christmas lending, followed by a fall off in lending and increased repayments during the summer of 2018.

At the end of September 2017 we had £1,627,865 out on loan and by the end of September 2018 the figure was £1,741,825. It has since returned to over £1.8 million, bringing us back to a sustainable ratio of loans to shares. The Credit Committee and Board have responded to a disappointing summer and autumn by bringing in new products and more competitive rates for working members and homeowners from January 2019.

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 1149 loans totalling £1,251,185, slightly down on the previous year. 931 loans were for £1000 or under.

## **Credit Control**

We continued to refine our credit control processes during the year, although arrears beyond 1 month have continued to run above our target of below 5% of the loan book. While we always take a sympathetic approach towards borrowers in difficulty, we do take rapid and consistent action to recover bad debt. A significant proportion of debt written off in previous years is now under recovery, and because of our success in this, the percentage of the loan provided for against loss was reduced on some of these loans. We are fortunate in having a skilled and experienced Credit Control team and the Board monitors arrears closely.

## **Savings**

During the year savings continued to grow steadily from £2,170,341 in adult savings and £317,081 in junior savings to 2,402,530 in adult savings and 334,424 in junior savings. Having returned to a satisfactory ratio of loans to savings at the end of 2018, we re-opened the ISA account to existing members in December 2017 and to new depositors from April 2018.

## **Transactions and services**

We continue to handle a growing number of transactions. 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. Almost all withdrawals are now made by transfer to bank or debit card.

## **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), Phil Jenkins, Rod Senior, Tony Redhead , Mark Watkins, Malcolm Jones, Paula Phippen, John Wright and Sue Clouth. Tony Redhead and Mark Watkins stood down at the AGM in February 2018 and John Wright and Sue Clouth have both stood down since. The Board are currently seeking new Board members who can bring skills to the Credit Union.

## **Volunteers**

We continue to rely on the dedication of around 30 volunteers across both counties. Paul Erckens, Alan Priday and Andrew Amos continue their Internal Audit roles. Several volunteers left us during the year for employment and to take up family responsibilities, and we thank all who have given their time this year. Changes to retirement trends and benefit rules seem to be reducing the numbers of volunteers, and attracting new talent is one of the priorities for our development workers.

## **Staff**

The Chair and the Board would also like to acknowledge the hard work and commitment of the staff team. We now have an established team, strengthened by Martine Slattery and Liz Hackett Pain who joined us as our development officers. Staff received a modest pay increase in October 2018.

## **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. As Councils have reduced and combined services we greatly appreciate their commitment to still offering us space. Our Cwmbran location in the library continues to be busy, and we now host Council and advice services in our Chepstow office. 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 partners in supporting members, particularly where they are affected by Welfare Reform.

We continue to benefit from the support of Melin Homes, Monmouthshire Housing Association, Bron Afon Community Housing and Pobl group in promoting credit union membership to their tenants and staff. 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, Torfaen Voluntary Alliance, and the Wyesham project.

## **Funding**

During the year we continued to receive funding and support from the Welsh Government for our payroll development and services until March, and for development projects from April 2018 to March 2020. More recently, we have received funding from Abergavenny Town Council and Cwmbran Community Council.

## **Financial performance**

Our income from loan interest rose from £180,048 in 2016-17 to £208,415 in 2017-18. The Credit Union made a small operating surplus during the year.

## **Summary**

The Board set challenging targets for the year, which have only partially been achieved in difficult economic circumstances. The Credit Union continues to grow steadily, but whether we can grow our income fast enough to offset the reduction in grant aid and rise in bad debt has still to be seen. Members are increasingly choosing online and phone services and our challenge is to ensure that we deliver quality through all these channels, which requires investment in skills and systems. Our focus as always is the wellbeing of members and the quality of customer service.

## **Dividend**

In order to prioritise building the reserves of the Credit Union, the Board have recommended a reduced dividend on savings of 0.1% be paid for the year.