

The Co-operative Family Credit Union Limited

**Annual General Meeting
Online, 12-2pm, 21 January 2021**



Agenda

1. Welcome & introductions – David Fawell (Chair)
2. Apologies – David Fawell
3. Minutes of the AGM held on 14 February 2020 – David Fawell
4. Chair's report – David Fawell
5. Financial reports:
 - a. Treasurer's report – Grant Mitchell (Treasurer)
 - b. Approval of dividend – Grant Mitchell
 - c. Auditor's report – Mark Heaton, KM Accountants
 - d. Appointment of auditor's – Grant Mitchell
6. Chief Executive's report – Matt Bland (Chief Executive)
7. Committee reports – Matt Bland & committee chairs
8. Motions:
 - a. Change to Rule 7 – Common bond qualifications for membership
 - b. Deletion & replacement of rules 126-128 (inclusive) – Credit Committee & Loan Officers / Board power to determine appropriate committee structures
9. Elections to board – Chris Smith
10. Graham Southall Award – Chris Smith
11. Friends of The Co-operative Family Credit Union (Lottery) report – Chris Smith
12. Guest speaker – Richard Chavasse, Head of Product, & Dally Purewal, Head of Commercial Partnerships, Your Co-op Energy
13. Any other business – David Fawell

THE CO-OPERATIVE CREDIT UNION

Minutes of the Annual General Meeting held at 12.00 noon
on Friday 14 February 2020 in the Auditorium Annex
1 Angel Square, Manchester



Attendance: David Fawell (Chair), Matt Bland (Chief Executive), Claire Dalton (Secretary), Grant Mitchell (Treasurer), Chris Smith (Director), David Dickman (Director), Robin Webster (Director), John Rudd (Director), Rebecca Hamilton (Credit Committee Chair) and Charles Sim (Supervisory Committee Chair).

1. WELCOME AND APOLOGIES

The Chair welcomed all members and attendees to the meeting. Apologies had been received from the External Audit – Beever and Struthers.

The Chair advised that as there were vacancies on the Board, members could indicate if they wished to put themselves forward adding that any nomination would be considered by the Nominations Committee.

2. MINUTES OF THE AGM – held 19 February 2019 were confirmed as a correct record.

3. MATTERS ARISING

All matters arising were covered on the agenda.

4. CHAIR'S REVIEW

The Chair presented his review of the year covering the following headlines:

- The work of CCU in supporting members in difficult financial circumstances that were being seen in households up and down the country
- 2018/2019 had been a challenging yet successful year
- 2,348 loans for a total of £2.2m had been granted
- Membership had grown by 296 to 8,578
- New IT platform had made it easier for members to do business with CCU
- Surplus for the year was £40k, with reserves standing at £0.5m giving a capital ratio of 9%, comfortably ahead of the 5% regulatory requirement
- Board co-options
- Recruitment of CEO
- Thanks you to the Board, office team, Co-op Group and membership

The Chair also spoke on the sad news of the passing of Graham Southall, founding father and Lifetime President of CCU in October 2019.

The membership noted the update.

5. TREASURER'S REPORT AND CONSIDERATION OF ACCOUNTS

The Chair introduced Grant Mitchell to present his Treasurer's Report which covered the following key items:

- A comparative over the last three years showed strong growth in shares, cash, loan balances and reserves
- Operating costs had increased further to the implementation of the new IT system, but in spite of this, the 2019 surplus was 73% higher than the prior year
- Capital ratios had increased over the last three years and were above regulatory requirements
- Whilst it was pleasing to see growth in the savings book, the Board was keen to see growth in the loan book in order to help more members and put savers' money to good use
- The loan book had increased by 7%
- Bad debt remained under control

The membership approved the annual report and accounts for the year-ended

6. AUDITOR'S REPORT

GM also introduced the Auditor's report in the absence of Beever and Struthers.

7. DECLARATION OF DIVIDEND

Following both the Treasurer's and Auditor's reports, the Treasurer recommended that a dividend of 1% be paid. The membership approved the dividend.

8. RE-APPOINTMENT OF AUDITORS

The membership approved the re-appointment of Beever and Struthers as CCU's auditor.

9. CEO'S REPORT

MB presented his report to the membership highlighting the following:

- The Board had appointed MB to drive a growth and innovation agenda for CCU, building on its strong fundamentals
- CCU would invest in infrastructure, technology and people to maximise impact for members and partners
- Re-iterated CCU's mission of providing affordable financial solutions to members who were often experiencing deterioration of household finances as well as continued proliferation of high cost credit
- There was much to look forward to from CCU in terms of introducing new technology solutions, credit products and marketing approached built around a clear strategy

10. CREDIT COMMITTEE REPORT

The Credit Committee report was received and noted. RH presented the report and thanked all members of the Credit Committee for their input throughout the year and reported that during the last financial year:

- 2348 loans for a value of £2,171,012.72 had been issued to members. (Bringing the total number of loans issued to 36496 for a value of £33,651,693).
- The smallest loan issued was £50.00 and the largest £17,415.78.
- Average loans this year were £922.06

RH talked through how bad debts were managed.

The most popular loan requests remain for car purchase, home improvements, holidays, debt consolidation.

11. SUPERVISORY COMMITTEE REPORT

The Supervisory Committee report was presented by Charles Sim and received by the members. It was noted that the operations of the CCU were in order.

12. NOMINATIONS COMMITTEE REPORT

The Chair reported on the activities of the Nominations Committee which met three times a year and its remit was to keep the board size, composition and skills under scrutiny, and where appropriate, undertake the recruitment of new directors to the CCU board.

During the year, as well as recruiting Matt Bland as CEO, Robin Webster and John Rudd had been recruited and co-opted to the Board. Sean Curley had also been appointed to the Board but had resigned after a short time due to personal circumstances. The Board had also been pleased to co-opt Claire Dalton back onto the Board following her return from maternity leave.

The Chair invited anyone interested in volunteering for CCU in any capacity to get in touch.

13. BOARD ELECTIONS

The Secretary advised that there were seven vacancies on the Board of Directors and five nominations had been received. No voting was therefore necessary and the following individuals were elected and re-elected for a three year term:

- David Fawell (re-elected)
- David Dickman (re-elected)
- Claire Dalton (elected)
- Robin Webster (elected)
- John Rudd (elected)

14. ELECTION TO THE CREDIT COMMITTEE

The Secretary advised that the Credit Committee was re-elected each year. Existing members of this committee had all advised that they were prepared to continue in their valuable roles and, therefore, Rebecca Hamilton, John Rudd and Adrian Smithies were all re-elected until the next AGM.

15. ELECTION TO THE SUPERVISORY COMMITTEE

Charles Sim and Ken Jackson were still serving and neither was up for re-election this year. No nominations had been received for membership of the committee.

16. GRAHAM SOUTHALL AWARD

CS welcomed Lindsay Southall to present the Graham Southall award, in honour of her father Graham, to Carole Parks and Andy Reich.

17. FRIENDS OF THE CREDIT UNION LOTTERY COMMITTEE REPORT

The Friends of the Credit Union Lottery Committee Report was received and noted. RH presented the report advising members that this committee ran the lottery independently from the CCU and as FCA regulations did not allow its accounts to be included on the balance sheet but did allow the CCU to benefit from proceeds donated to it.

18. CLOSE OF MEETING

The Chair expressed thanks to the members, the Board and the office team for their support of the CCU and closed the meeting.

Chair's report

The financial year 1 October 2019 – 30 September 2020 was a very challenging one for us all. At the last AGM on 14 February 2020, we reported on a solid year's performance and had much to be optimistic about with the arrival of our new Chief Executive, Matt Bland, in January 2020 to whom the board had given a firm mandate to invest and grow the credit union. Little did we know at the time, that the Covid-19 pandemic would very shortly engulf us all and present some of the stiffest challenges the credit union has faced in its 22-year history.

It is therefore with some pleasure – and no little relief! – that I am fortunate enough today to present to you, our members, a fantastic set of results for the financial year. The Treasurer's report provides the full details on our results but suffice for me to say that achieving a surplus of £15k for the year – starting with a mere break-even aspiration given the investments we began with Matt's recruitment – and having grown our active loan book by 20% has far exceeded our expectations given everything we have had to contend with.

Matt and his team have worked incredibly hard through the year to deliver these results and to provide improved service to our members – establishing home working for the whole team at the start of lockdown, a new messaging app to improve on-line service, a new email and office platform, and serving a rapidly growing membership.

But the financial results only tell part of the story. The year has been one of renewal as the board and I have taken the opportunity of our new Chief Executive's support to embark on a comprehensive review of our governance and strategy to provide a solid foundation for the growth we plan on pursuing through 2020/21 and beyond.

In September 2020, we concluded a process of reflection and debate around the strategic direction of the credit union by agreeing a new strategic business plan and set of growth targets under which we aim to use our strong financial position as a platform to double our active loan book by 30 September 2023.

The Chief Executive will set out in his report the progress we have made in the year towards this aspiration and the steps we plan to take to deliver the growth we are aiming for. I will focus here on the work we have undertaken to refresh our governance as a necessary condition for this growth.

Having spent several years as a much more hands-on board, actively supporting the staff team in day-to-day management of the credit union, the arrival of a Chief Executive has been a prompt to consider how best we organise the board's affairs to give Matt the space to drive the credit union operation forward towards our growth ambitions while providing the clear strategic direction he needs to underpin the efforts of the staff team.

Given the additional time we now have having relinquished our operational role, we have had an opportunity to look inwards at how we structure our business, the sub-committees we use to look at key issues in more detail, and the mandates we give to Matt and his team to make day-to-day decisions within our governance framework. This has resulted in a new agreed authorities mandate, three new committees – Risk & Compliance, Nominations & Reward & Audit – and the co-option of 4 new directors who add both key skills and experience but crucially also mark the beginning of a process whereby we actively look to bolster the diversity of backgrounds and life experiences represented on the board to ensure we remain relevant and make decisions based on the broadest possible range of experiences.

Before I move on to offer some thanks to those who have made our successful year possible, I wanted to mention an exciting project we are embarking on this year as another key part of our strategic plan: The Purpose Project.



The Purpose Project is being led by Chris Smith, a founding director, erstwhile Chair and all-round stalwart of The Co-op Credit Union and will run a comprehensive consultation exercise through 2021 to redefine, update and codify the credit union's very purpose as an organisation. In delivering the Project we will be consulting closely with you, our members, as well as our partners old and new to arrive at a clear statement of our values and purpose as a credit union.

In previous years gone by I have used the opportunity of the AGM to remind both the credit union team and our members of the vital role the credit union plays in a society where inequality between rich and poor continues to widen and the poor are presented with a set of seriously unsatisfactory financial service providers, often charging eye-watering interest rates to borrow. Covid-19 has only deepened and exacerbated these trends and undermined what little security the poorest households had. The credit union has never been more important and nor has revisiting our purpose been more timely.

Finally, I would like to offer some big thank you's to those that have contributed to the progress we've made this year:

- To our current team in their "offices" around Greater Manchester – Matt, Andy, Joel, Nicole, Matthew, Veronica & Katie (who is currently on maternity leave following the arrival of her second daughter in October). Your efforts in these testing times have been remarkable and our success is down to your ongoing commitment.
- To those who have left us in the year: Janet Henry, Sheena Jennison, Jake Hatch & Tom Field, whose efforts in years gone by have been pivotal to our success today.
- To our volunteers and part-timers: Charles Sim, Ken Jackson & Mel Philips whose efforts have also been crucial.
- To the board of directors, old and new: David, Chris, Grant, Robin, John, Rebecca, Claire, Nisha, Peter, Lisa & Sam whose commitment and generous giving of their time is fundamental to our continued success.
- Nick Money has been involved with the credit union for over 20 years, serving on the board for most of that time. He stepped back from board in 2018 given work commitments but remained as a volunteer through to 2020. The Board has awarded him with the honorary position of life president (the third such award following Graham Southall and Andy Oldale). A huge thank you to Nick.
- Claire Dalton has served as secretary and director since 2014, given work and family commitments she stepped down from board during 2020 but has remained as Secretary since then. She is now stepping down from that role after this AGM. A huge thank you to Claire – she has been a friend and valuable supporter for me and for all of the board and ensured good governance for us all for many years.
- And finally, to all of our many partners and supporters, not least of which is The Co-operative Group our primary employer partner and sponsor, whose recognition of our value and the support we offer to their people makes everything we do possible.

It only remains to thank you, our members and owners, for your ongoing commitment and loyalty to the credit union. In a difficult year for everyone, we are honoured and humbled to serve the co-operative sector with its many key workers who have continued to serve the public in a time of great stress and anxiety – thank you for all you do.

David Fawell
Chair of the Board

Treasurer's report

The financial results for 2019-20 can be found in the accounts which were distributed to members along with the AGM notice and are published on the credit union website.

As the Chair notes in his report, the Profit / Loss results with a £15k overall surplus achieved are very strong when we consider both that the year saw us recruit a new Chief Executive with associated increased salary costs and investment spend, and the impact of the Covid-19 pandemic which caused a significant slow-down in new business mid-year during the first national lockdown.

But perhaps more pleasing still is the balance sheet growth that the credit union achieved in the year with a 20% growth in the active loan book (after provisioning for bad debt), a 15% increase in member deposits and a 14% increase in the total balance sheet size.

This loan book growth has been a key driver of our ability to generate a surplus for the year with monthly interest income from member loans up by 30% by September 2020 compared with the previous September. This is a crucial shift as we continue to see bank interest income squeezed by renewed reductions in interest rates to support the economy through the pandemic and the prospect of negative interest rates on the horizon.

The quality of our primary assets, the loan book, remains strong despite the growth that has been achieved with annual bad debt charges for impairment of loan assets growing only 2% compared with 2019 and representing 3% of the active loan book at year end. Bad debt charges are the credit union's primary cost after staff salaries and are the primary driver of volatility in our monthly profit and loss performance so holding down bad debt costs as the credit union grows is a key strategic priority.

The year saw us make two key policy decisions in relation to our treatment of bad debt which are reflected in the accounts. Firstly, we have adopted a provisioning approach where we recognise impairment losses for loans in arrears sooner than the minimum requirement that the Bank of England sets strictly requires. For example, we will accept a 100% provisioning charge for loans that reach 10 months of arrears rather than at 12 months as the Bank stipulates. While reversing this policy would have seen our annual surplus boosted by something in the region of £20,000, the board and management believe that a prudent approach to loan book quality is the wisest approach to take.

Secondly, in consultation with our new auditors at KM Accountants, we have agreed that the credit union will write off within the financial accounts all bad debt over 12 months in arrears as part of our year end process. This follows several years of adopting a policy where historic bad debts are held on the balance sheet, fully provided for, for a period of 6 years. This change is purely one of financial presentation and has no impact on our operational debt recovery processes. In practice, the effect of this policy change is neutral in respect of the credit union's bottom line and balance sheet value as the costs of the relevant provision have already been recognised and accumulated as a discount to the gross loan book value, but the transaction has necessitated a disclosure in our annual accounts.

The year has seen our expenses increase as we have invested in restructuring and reskilling our staff team, introducing new technology such as the Nivo messaging app and putting a concerted effort behind our marketing and member engagement activity but these investments have more than paid off in terms of business growth and income generation. The board has agreed a financial plan under which we continue to invest in pursuit of growth and target relatively modest annual surpluses in the early years of the growth plan.

This strategy is supported by regulatory changes which were introduced in March 2020 by the Bank of England for credit union capital adequacy following successful lobbying by our trade association, The Association of British Credit Unions Limited (ABCUL). The previous regulation included a step change in capital requirement for credit unions with more than £10m in assets – thus requiring those credit unions, like us, planning to grow to that level to accumulate capital well in advance. The new requirements reduce the capital requirements and mean we can accumulate capital much more gradually while still supporting our ambitious growth plans.

We ended the year with a capital-asset ratio of 8.65% - well ahead of our regulatory requirement – and while we do not plan on actively pursuing a strategy which sees this reduce significantly, the change to regulatory requirements gives us significant comfort that should our performance fall marginally short of target, we have a large capital cushion above our minimum requirement to support us.

Finally, our balance sheet composition – while improving slightly through the year – remains weighted in favour of bank investments as opposed to loan assets with our loan-asset ratio sitting at just short of 40% at year end. This is a strategic challenge for us given what we've already noted in respect of bank interest income and interest rates more widely. Similarly, the board is clearly of the view that from the perspective of the credit union's purpose, it is incumbent upon us to put our members' deposits to best use by lending them to members, rather than simply investing them with the bank. We therefore intend to invest in growing our lending over the coming years.

In light of this balance and the interest rate environment, the board has taken the decision to recommend a dividend for this year of 0.25% which, while lower than we would like and what we have paid in recent years, is still a competitive rate of return for instant access savings and reflects the balance of strategic priorities for the credit union in the short term.

On a more positive note, however, the board has also agreed that the fees we have historically charged at the point of joining (£3), annually (£5) and on dormant accounts (£5) will no longer be charged. This offsets the impact of the dividend reduction for many of our members – the vast majority of whom have low share balances under £500 – and removes a key barrier to growth and business development as many employer partners, old and new, have expressed concern about the fee structure in the past.

Thank you for your continued support as we proceed on our exciting growth journey.

Grant Mitchell
Treasurer

Chief Executive's report

I started in the Chief Executive role at the credit union on 6 January 2020 and so my involvement in the annual results that we are reviewing at this meeting extends only for the latter three quarters of the year.

The year was one which has presented challenges never before faced in the history of the credit union with the response to the Covid-19 pandemic which has necessitated a swift move to home working with all of the operational headaches that that entails.

When I began my tenure as Chief Executive, the credit union continued to rely on the Co-op Group's IT network and physical access to Group IT equipment in the office space they provide to us in order to perform our daily tasks. This operational configuration was one that had created a number of difficulties and vulnerabilities for some time and so it was an immediate priority to migrate our operation to a network independent of Group infrastructure even before the pandemic overtook us. But fortuitous it was that we embarked on the necessary work to establish our independent systems capability when we did as without it the home-based, Covid-secure working arrangements that we now operate would not have been possible nor would the transition to home working that we were ultimately able to deliver have been so seamless.

Similarly, we had just begun a trial of the Nivo secure messaging app as the pandemic took off in the UK and again this was fortuitous as we looked to provide a convenient, modern and relevant service to our members across the UK with operational flexibility as to the location of our staff team, provided they had a reliable internet connection. So successful was the Nivo pilot that it very quickly became our primary service-delivery channel and an established key part of how we serve our members in a way that suits their needs.

It must be noted at this point that our transition to home working was boosted significantly by a £10,000 grant for new laptop equipment from the Covid-19 Resilience Fund operated by Fair 4 All Finance which is a government-backed organisation established in 2019 with dormant bank account funding to invest in the expansion of affordable, community-based finance. We are enormously grateful to Fair4 All for their support and we are in continuing talks with them about how they might catalyse and invest in scaling-up our credit union as part of their mission.

The year also saw us adopt a range of new working practices and undertake a process of restructuring the staff team and reallocation of responsibilities as well as a programme of concerted work to ensure we are squeezing every last drop of value from our core Abacus Oneworld system provided by our partners at Fern Software based out in Belfast. All of this work, while invisible to our members in their day-to-day interactions with us, has enabled us to grow our lending operations significantly without the need to add headcount and while adjusting to working at home by becoming much more efficient and effective in how we deliver our core services.

Another key development in the year was the introduction of the Family Loan product, repaid via Child Benefit, which was an example of best practice in a number of credit unions – primarily based in the community – and enables us to grant credit to parents on a revolving basis with a maximum balance of £1,000 with a very high rate of acceptance and an interest rate of only 35% APR. This is a key initiative to provide us with the tools to deliver on our mission of bringing down our members' cost of borrowing by disrupting the high-cost credit we know that far too many of our members still rely upon. And while 35% APR might seem a high rate of interest to charge, it compares favourably when we consider that since last February, even mainstream bank overdrafts now typically charge 39.9% APR.

We have also made a concerted effort to engage with our members more actively than ever before with a new monthly member newsletter email which reminds members of the ways in which we can help them as well as providing an opportunity to inform members around the governance and democracy of the credit union and to canvas views on where members would like to see us go as an organisation.

In fact, in July 2020 we were blown away by the results of a member survey we conducted via the newsletter to take the temperature on members' view of the services we provide, identify areas for improvement and explore new products and services that we might offer in future.

In little more than 24 hours we had received almost 1,200 responses to the survey from a mailing list of around 7,000 members. What's more, when asked to rate the likelihood that they would recommend our credit union to a friend – the Net Promoter Score (NPS) question – we received a NPS result of +63.5, a rating that any of the most trusted and successful brands in the world would be proud of.

Despite everything, then, the year has been a successful one where the loyalty and commitment of our members and the dedication of our team has enabled us to transform the credit union's operations, respond to the pandemic and deliver an impressive financial and growth result.

But the work doesn't stop there. As was noted in the Chair's report, we have undertaken a comprehensive strategic review resulting in a new strategic business plan which sees us doubling our loan book in a period of three years and doubling our asset value compared with our position at the start of 2019/20 in five years.

The business plan will involve continuing to invest in and upgrade our technology, build on our successful engagement efforts and overhaul our governance and compliance arrangements making them fit for a credit union of twice our size and beyond. And we make a clear priority of our people – the credit union's greatest asset – as we build the skills of our team ready for a prolonged period of growth.

Perhaps most exciting of all is The Purpose Project mentioned by David and led by Chris Smith. This will define what and who we are as an organisation, how we deliver on our values and, perhaps most importantly, how we will measure and report on our success in having a positive impact on our members' lives.

We stand on the threshold of an exciting new phase in the credit union's history and our success in managing the impact of Covid-19 and continuing to support our members through it is a strong indication that we have a bright future ahead.

I would like to thank our many partners and suppliers – from Fern and NivoHub, to The Co-op Group and our many employer partners – for the various ways in which they have enabled our successes; the board for their support, wisdom and guidance through a challenging year; and most of all to thank the staff team, old and new, without whose hard work and resilience the results for the year would not have been possible.

Matt Bland
Chief Executive

Risk and Compliance Committee Chair's Report

The Risk and Compliance Committee ("RCC") is a sub-committee of the Board. Its purpose is to support the Board in understanding and managing the risk profile of the credit union in order to safeguard the interests of the members and ensure the enduring strength and viability of the Business.

One of the Board's objectives for last year was to strengthen the RCC and to provide more support and challenge to Management, and as a result of this:

- The membership of the committee has been strengthened, including the appointment of a Committee Chair who has many years' experience as a Chief Risk Officer in Financial Services
- The documentation of the risks the credit union faces, the policies used to govern those risks, the risk limits for each type of risk have been reviewed and strengthened, with gaps filled
- The reporting of performance against those risk limits has been enhanced

Risk Appetite

In overall terms, the Board has set a low "Risk Appetite" for the credit union. What this means in simple terms is that:

- The Board sets out an annual Business Plan, which includes financial and other objectives
- The Board then seeks to run the business in such a way that deviations from that Business Plan are due to well understood and reasonable changes of a normal business climate, or to decisions actively made by the Board. Processes and controls are in place to help prevent any "unexpected loss". Having a low Risk Appetite means a low tolerance for any unexpected losses

In terms of outcomes, the credit union has managed its business carefully and has not suffered any material unexpected loss during the period.

Comments on the specific types of risk

Credit Risk (The risk of borrowers defaulting on their repayments)

- Despite concerns of borrower economic stress due to the economic deterioration prompted by Covid-19, credit losses remained stable and within expectations. A number of enhancements to the process of recording and making provision for credit losses have been made in discussion with the credit union's new external auditors

Interest Rate Risk (The risk of loss due to unexpected changes in interest rates)

- The exposure to interest rate risk remains low, which is a function of the short average loan duration, and steady external market interest rates

Market Risk (Risk of losses due to movements in the financial markets)

- The credit union does not invest in the stock markets or hold any market related derivative products. Surplus cash is invested with banks that have strong credit ratings, and is spread amongst a number of these banks

Liquidity Risk (The risk of being unable to fund liabilities as they fall due, including member withdrawals)

- The credit union has built up a significant cash surplus over the years which is invested with banks either with “instant access” or for a longer term. In order to enhance the interest received on cash, the credit union has increasingly looked to invest longer term as the rates are higher.
- In the run up to Christmas 2020, cash requirements increased significantly due to higher than expected withdrawals by members and new loans granted to members. This caused some pressure on liquidity, and as a result, the Board has increased the proportion of funds that are held in instant access, and management has enhanced cash flow forecasting and management. Though this event occurred outside the reporting period under review, we disclose it here for transparency

Operational Risk (The risk of loss due to failure of operational controls)

- The Committee is pleased to note that management has implemented a number of actions to enhance operational resilience, user access to computer systems and information security
- The work done to enable homeworking in order to provide continuity of operations without physical access to the Office has significantly improved contingency and disaster recovery capability
- The committee has undertaken thematic reviews of different aspects of operational risk (for example information security, disaster recovery) and will continue a rolling programme of these reviews

Compliance Risk (The risk of loss due to a failure to comply with legal and regulatory requirements)

- A thematic review of compliance arrangements was presented by management to the RCC which noted a number of areas where more formality of record keeping and evidence of review is required. These are being actioned

“Dear CEO” Letter

The Prudential Regulation Authority issued a letter to all credit union CEOs on 10 September 2020 outlining the Regulator’s current areas of focus. Management has presented to the RCC a response to each of these areas of focus, and the RCCs conclusion is that the response is appropriate and there are no material concerns for us.

Robin Webster
Chair, Risk & Compliance Committee

Supervisory Committee Report

Introduction

This is the 2019-20 Annual Report from the Supervisory Committee to Co-op Credit Union members. The purpose of the report is to summarise the work completed by the Committee during the year. It should be noted that during Covid 19 Lock down the credit union was able to maintain a full service to members as all Co-op Credit Union staff were able to work from home. The ability to work from home was possible thanks to the decision of the Board of Directors to invest in upgrading the software of the CU IT operating system to one that is Cloud Based. Also off note is the fact that no member complaints were recorded in this period.

Committee Role

Members of the Supervisory Committee are elected by members to be their eyes and ears, the members' watchdog. Therefore, whilst members of the Committee are entitled to attend meetings of the Board and its committees, the Committee is accountable solely to Co-op CU membership and operates independently from the Board.

The purpose of the Supervisory Committee is to ensure that the credit union operates within the law, the rules and the policies of the credit union and in the best interests of the members. The responsibility of the Supervisory Committee is to review the adequacy and effectiveness of the credit union's system of internal control and its arrangements for risk management.

Work Completed

During the year your Committee completed the Supervisory testing programme recommended by the Association of British Credit Unions. However, our work is not limited to the model programme and additionally, from time to time, the Committee offers advice on internal control and other matters to the Management and Board. During this year it included:

- Reviewing our basic plan of testing and updating this as the operations of the CU changed in the period to remote working practices

We are delighted to report that our work revealed no matters of significance that require either drawing attention to the Board of Directors or to be reported to the Membership.

The Committee has been represented at all Board meetings, kept the Board fully informed of our activities and has contributed to discussions as appropriate.

The Supervisory Committee would like to thank all members of staff for their full cooperation and assistance throughout this extremely difficult year.

Kenneth Jackson
Charles Sim
Supervisory Committee

Nominations & Reward Committee, Chair's report

In September 2020, The Co-op Credit Union (CCU) Nominations & Reward Committee, comprising of David Fawell, Matt Bland & Chris Smith followed a process¹ of recruitment of board directors:

- A. Firstly, the nominations committee received board instruction to recruit further board members²
- B. Advertising and promotion the vacancies took place on several platforms.
- C. The committee received and shortlisted applications & CV's
- D. Then the CEO had an informal chat with each shortlisted applicant.
- E. Then the committee conducted an interview³ with each applicant.
- F. The outcome from those sessions along with candidate information was circulated to all the board members ahead of the September 2020 board meeting.
- G. The CCU board confirmed the co-option of the candidates at the September 2020 meeting.

We nominated the following applicants:

1. Nisha Ravat
2. Lisa Parry
3. Sam Hale
4. Peter Harris
5. Gordon Fraser⁴

In our selection of these nominees, we considered variety of traditional aspects and scrutinised their CV's but additionally we also looked at wider components that make up a balanced and representative (of our common bond) board:

- Age: we were concerned that the current age of directors needs balancing
- Gender: trying to ensure a more balanced board reflecting our common bond
- Ethnicity: aiming to reflect our agreed aim of representing black, Asian and minority ethnic directorship of CCU.
- Family: trying to bring the modern life skills of a working family member to the board of directors thereby better anticipating our current and future members needs
- Degree: or significant modern qualifications
- Useful skills: trying to obtain a board of directors from key industry experiences

The nominations committee has revised and relaunched its terms of reference⁵:

1. We will undertake an annual evaluation of the balance of skills, knowledge, and experience of the Board.
2. We will actively encourage the Board to reflect the credit union's membership in terms of its diversity including in relation to age, gender, ethnicity, sexual orientation
3. We will organise and undertake an annual evaluation of the performance of the Board and its Committees.

¹ Endorsement of this process during a strategy discussion on 20th August (DF, GM, RW, MB, DAD, CS).

² The CCU board of directors gradually depleted, in numbers, in recent times due to retirement and specifically employment changes in their lives (Nick Money, Claire Dalton, Sean Curley, Danielle Haugedal-Wilson).

³ By Zoom.

⁴ Following the recent retirement of Claire Dalton in the post of Secretary to CCU, we were fortunate to obtain Gordon Fraser (recommended by Claire Dalton and working alongside her in the Co-op Group secretariat). The Nominations Committee has met recently to informally interview Gordon and the committee thereby nominates his position of Secretary to CCU). Therefore, Gordon did not arrive as candidate via the same process as the other four nominees.

⁵ A full copy of the entire latest CCU Nominations Committee terms of reference available on request.

4. We will review the structure, size and composition of the Board and its Committees and make recommendations to the Board for necessary change.
5. We will make recommendations to the Board as regards plans for succession planning, particularly in relation to the Chair and CEO



Chris Smith
Chair, Nominations & Reward Committee

Motion 1 – Change to Rule 7 – Common bond qualifications for membership

The credit union has periodically expanded its common bond qualifications for membership under Rule 7 of the credit union rulebook. In particular, when legislative reform in 2012 allowed credit unions to add multiple elements to a single common bond, the credit union made use of this to expand to provide services to our employer partners in their own right as well as their members and related parties.

In the rule change proposed here (highlighted in red below) the Board of Directors proposes changes in two main respects:

1. Adding four new employers to our list of employers whose employees are eligible to join the credit union, these are: Scotmid Co-operative Society Ltd, 2 Sisters Food Group, McColls Retail Group & Usdaw. In each case this is a tidying-up exercise as the credit union has members from each through their relationship to either The Co-operative Group (2 Sisters & McColls) or Usdaw (Scotmid & Usdaw).

In the former case, these employees have been admitted to membership either following the disposal of Co-op Group assets to them (McColls) or through the provision of key services to them (2 Sisters). In the latter case, our partnership with Usdaw to provide services to Usdaw members also involves providing services to their staff and has highlighted our offer to employees of Scotmid.

2. Adding a list of occupations taken from the Office of National Statistics' Standard Occupational Classification which are related to the retail and distribution sectors. This proposal arises from the fact of our expansion of our partnership with Usdaw in the foregoing financial year and the fact that under the current arrangement, those who are members of Usdaw can join the credit union while their colleagues who may not be a member of the union cannot. We therefore hope that the new provision will remove an obstacle to the natural expansion of the credit union within the retail sector.

The credit union is deeply committed to the continued provision of services to its core membership and partner employers, in particular The Co-operative Group. However, as the credit union continues to expand beyond its core membership and focusses on deepening its partnership with key partners such as, in particular, Usdaw, these proposed changes to Rule 7 are expected to provide the clarity and flexibility required to underpin that growth. In turn, as the credit union grows stronger, its ability to innovate and develop new services and offerings will expand with it therefore benefitting all parts of the common bond.

Common bond qualifications for membership

7. Admission to membership of the Credit Union is restricted to:

- a) An individual employed by the following employers:
 - I. The Co-operative Group
 - II. Southern Co-operative Society Ltd
 - III. Mid Counties Co-operative Society Ltd
 - IV. Radstock Co-operative Society Ltd
 - V. Heart of England Co-operative Society Ltd
 - VI. Tamworth Co-operative Society Ltd
 - VII. Channel Islands Co-operative Society Ltd
 - VIII. East of England Co-operative Society Ltd
 - IX. The Association of British Credit Unions Ltd
 - X. Co-operatives UK
 - XI. The Co-operative Academy
 - XII. The Co-operative College
 - XIII. Unity Trust Bank Ltd
 - XIV. The Co-operative Bank
 - XV. The Phone Co-op
 - XVI. Central England Co-operative
 - XVII. The National Association of Co-operative Officials (NACO)
 - XVIII. The Co-operative Academies Trust
 - XIX. The Co-operative Party
 - XX. The Charities Aid Foundation
 - XXI. FC United of Manchester
 - XXII. Lincolnshire Co-operative Society Ltd
 - XXIII. The Co-operative News
 - XXIV. The Woodcraft Folk
 - XXV. SUMA Wholefoods
 - XXVI. Unicorn Grocery, Manchester
 - XXVII. Scotmid Co-operative Society Ltd
 - XXVIII. 2 Sisters Food Group
 - XXIX. McColl's Retail Group
 - XXX. The Union of Shop, Distributive & Allied Workers (Usdaw)

- b) A body corporate, an individual in his/her capacity as a partner in a partnership, an individual in his/her capacity as an officer of a member of the governing body of an unincorporated association, if the body corporate, partnership or unincorporated association:
 - I. Is one of the above employers
 - II. Provides services to the above employers
 - III. Is related to the above employers in the following way: is part of the same group of any one of the employers above; or is a provider of social welfare or co-operative membership; or is in receipt of a grant of regular financial assistance from the above employers.

- c) An individual who is associated with the employers in a) by being employed by a firm contracted to provide services to those employers provided that:
 - I. The firm is associated with the employers in a) through common management of shareholders, interchangeable or jointly employed staff or interdependent operations; and
 - II. The employee works on the premises of an employer in a); and

- d) An individual who is associated with other individuals through receiving a pension from any employer listed at a);
- e) An individual who is a member of the following bona fide organisations:
- I. The National Association of Co-operative Officials (NACO)
 - II. The Phone Co-op
 - III. The Union of Shop, Distributive & Allied Workers (Usdaw)
 - IV. The Co-operative Group
 - V. The Co-operative Party
 - VI. Mid Counties Co-operative Society Ltd
 - VII. FC United of Manchester
 - VIII. FC United of Manchester Supporters Group
 - IX. The Woodcraft Folk
 - X. The Unicorn Grocery, Manchester
- f) an individual who follows an occupation in the following 'Minor' Group of the Office of National Statistics' Standard Occupational Classification:
- I. 119: Managers and Distributors in Retail and Wholesale (115)
 - II. 124: Managers in Logistics, Warehousing and Transport
 - III. 125: Managers and Proprietors in Other Services
 - IV. 247: Media Professionals
 - V. 321: Health Associate Professionals
 - VI. 412: Administration
 - VII. 541: Textile and garment trades
 - VIII. 542: Other skilled trades
 - IX. 543: Food Preparation and Hospitality Trades
 - X. 544: Other skilled trades
 - XI. 622: Hairdressing and related services
 - XII. 711: Sales Assistants and Retail Cashiers
 - XIII. 712: Sales Related Occupations
 - XIV. 713: Sales Supervisors
 - XV. 721: Customer Service Occupations
 - XVI. 722: Customer Service Managers and Supervisors
 - XVII. 821: Road Transport Drivers
 - XVIII. 923: Elementary Cleaning Occupations
 - XIX. 924: Elementary Security Occupations
 - XX. 925: Elementary Sales Occupations

provided that they are employed in retail and manufacturing, wholesale distribution and support services for the purposes of retail.

Motion 2 – Deletion & replacement of rules 126-128 (inclusive) – Credit Committee & Loan Officers / Board power to determine appropriate committee structures

The credit union's Credit Committee has been dormant for at least the last year of the credit union's operations. This is because as the credit union has expanded, it has needed to develop a more flexible and proportionate response to making decisions regarding the granting of loans to members. This has involved moving to a Loan Approval Policy which is determined by the Board of Directors on the recommendation of management and which provides a framework for staff making loan decisions which responds to the fast-faced needs of the modern credit union.

It is therefore proposed, since the Credit Committee is no longer practically functioning, that references to it in the rules should be withdrawn.

In addition, the Board – in line with its agreed business plan – has been undergoing a period of reflection and reform in relation to governance structures and processes during the past year. This has led to a proposed new committee structure to support the full board in providing a platform for specific areas of the credit union's affairs. The new committee structure as agreed by the board includes three committees:

- Risk & Compliance Committee
- Audit Committee
- Nominations & Reward Committee

These committees are felt to better respond to the areas of specific governance concern for the credit union. However, it is not proposed that the existence and structure of these committees be set out in the credit union's rules but rather, for the rules to provide for the Board of Directors to have the power, delegated to it by the credit union's membership, to determine the structure, composition, membership and operation of its board committees and to review these structures at least annually with a view to making recommendations for changes to meet the changing needs of the credit union.

This approach, which retains discretion and flexibility with the credit union board, but sets expectations of the board in terms of frequency of review and considerations that must be taken into account, is felt to provide flexibility appropriate to allow the credit union to shift its structures in response to its environment without the need to return to the members each time circumstance necessitates a change, potentially creating a significant time lag before rules can be aligned with practice or necessitating a costly EGM.

A notable exception to this process is the Supervisory Committee which the board retains in the rules at this point. However, the membership should be aware that the current Supervisory Committee has made a recommendation to the Board of Directors for its own disbanding in a period of years due to the increasing demands of its role in an expanding and increasingly sophisticated business. It is therefore expected that at a future AGM, the Board of Directors will make a formal proposal to disband the Supervisory Committee and remove the relevant rules from the credit union's rulebook. This is expected to coincide with a broadening of the Audit Committee's remit to oversee Internal Audit.

The proposed new rule and the rules to be eliminated are set out in red overleaf.

CREDIT COMMITTEE AND LOAN OFFICER

Roles and responsibilities

~~126. The Credit Union shall have a credit committee which shall remain in existence until a majority of the Members, at the annual general meeting, vote in favour of a proposal from the Board of Directors to disband it.~~

~~127. The Board of Directors shall set the terms of reference of the credit committee. The credit committee may include one member of the Board of Directors of the Credit Union appointed by the Board; the remaining number shall be elected in accordance with the provisions of these Rules.~~

~~128. The credit committee shall be responsible for monitoring the Credit Union's loan business, loan assessment and making recommendations on policy changes to the loan and credit control policies for agreement by the Board. The credit committee, with the permission of the Board of Directors, shall have the power to delegate operational aspects of their work to one or more loan officer(s). Any delegations shall clearly outline the specific limits which the loan officer(s) can operate.~~

BOARD SUB-COMMITTEES

~~126. The Board of Directors shall determine any sub-committees of the Board which it feels are required to best oversee and determine policy in relation to all aspects of the Credit Union's affairs. The Board of Directors will determine the terms of reference of its sub-committees, including but not limited to: their membership, frequency of meetings, duties, accountability and quorum.~~

~~127. The Board of Directors will review its sub-committee structures and balance of responsibilities including their terms of reference at least annually and make recommendations for change.~~

~~128. The Board of Directors will disclose to members the current composition of its sub-committee structures, including a written report from the Chair of each committee and a full list of committee memberships at its Annual General Meeting each year. The requirement for a report to members annually will be included in the terms of reference of each committee.~~

Elections to the board – AGM 2021

The credit union this year has spent some additional time considering how best to strengthen its Board of Directors in terms of both skills & experience as well as a diversity of backgrounds following the resignation for a variety of reasons of a number of directors over the last few years.

This has coincided with a wider programme of work in relation to strengthening the credit union's governance arrangements and, in particular, revising the composition and Terms of Reference of what will henceforth become known as the Nominations & Reward Committee.

As part of this process, the board underwent a recruitment process for new directors during the financial year 2019/20 which involved advertising the opportunity via our various communications channels, including via our trade body, ABCUL, and we received a number of strong applications. This resulted in 4 new directors being co-opted in September 2020 who in various ways strengthen both the skills and the range of experiences represented by the board overall.

In addition to these new directors, we also have an established senior director, Grant Mitchell, the credit union's Treasurer who is standing for re-election to the board having completed his first 3-year term.

Finally, in light of the resignation of the credit union's Secretary, Claire Dalton, effective as from this AGM, the board has conducted some more recent recruitment for a trained company secretary to take on these duties. As such, Gordon Fraser, a member of the Co-op Group's secretariat staff has volunteered his services for the role and is therefore standing for election to the board at today's meeting. Gordon's nomination was not included in the information issued with the meeting notice due to the recent nature of his recruitment.

The board would like therefore to propose to the AGM that it elects the following directors for 3 year terms. Each of the new directors has written a short election address setting out their skills & experience as well as personal reasons for wishing to be elected to the board. These are set out overleaf.

Re-election

- Grant Mitchell, Treasurer

First election

- Peter Harris
- Nisha Ravat
- Lisa Parry
- Samuel Hale
- Gordon Fraser

Election addresses

Peter Harris

I am a long-standing member of Co-operative Group and Co-op Credit Union (since 2003). I am an independent data analytics consultant with many years' experience helping organisations with their analysis, especially relating to their marketing and growth plans. I think these are highly relevant skills for the Credit Union board at this stage. Apart from this, I am especially keen to learn new things e.g., how the board and supervisory committees work, how the credit union works in a regulatory environment, and about strategy development. (I've taken a few ABCUL online modules to get an initial grounding in these). I believe that Co-op Credit Union has a strong brand name and heritage, and immense goodwill and support from members, supporters, volunteers and dedicated staff. And it's their personal contribution that makes the Co-op credit union model special.

Nisha Ravat

The journey of being a proud, long-standing member of the Co-op Credit Union has taught me extremely valuable financial wellbeing over the years. The ethos of the Credit Union and its core values and principles resonate the beliefs, ethics and principles that I believe in. I want to have more involvement with the Credit Union, to give something back using my knowledge, skills and experience.

I have worked for over 20 years, in diverse roles within Co-operative Insurance (CIS), Financial Services (CFS), Banking Group (CBG) and the Co-op Group and have considerable experience in managing financial responsibilities. I am AAT qualified and currently studying towards the ACCA qualification.

As a volunteer Treasurer and Committee member for the CFS Sports & Social Club from 2010 to 2013, my main focus was to ensure the S&SC was in a sound financial position. During this time, I had the opportunity to research and invest the reserves successfully, in the interests of; and to bring benefit to the S&SC members services. My current role involves accounts management for a Pension Scheme, which includes regulatory and legislative compliance.

I am delighted to be co-opted to the Board in September 2020 and with your support, I hope to be elected to the Board of Directors of such an organisation, as this would give me the opportunity to be more involved with the future and ongoing objectives of the Credit Union.

Gordon Fraser

Working in corporate governance has equipped me with the skills to advise the board on compliance issues and act as company secretary of the Co-op Credit Union. I am currently a secretariat adviser with the Co-operative Group, working across all aspects of the group's corporate governance, and previously worked with a specialist provider of company secretarial services.

I am a great believer in the benefits of financial education, and credit unions have an important role to play in raising financial awareness alongside access to savings and credit. Through mutual ownership, the success of the Co-op Credit Union benefits all of its members, and I welcome the opportunity to contribute to that success.

Lisa Parry

I would really like to support the Co-operative Credit Union as a Director as I have seen the important role it plays in supporting their members with getting their finances in to a healthy shape. The credit union enables its members to better manage their finances through providing fair and affordable loans. It supports its members in getting into a long-term habit of regularly saving, building greater financial resilience.

I have over 20 years experience working in financial services, I worked for the Co-operative Bank for over 10 years, and since leaving have continued my career at another mutual.

During my career I have worked as a product manager on both Loans and Savings which is a good fit with the credit union's products. As a product manager I have sought to understand customers savings needs, whether that be building a rainy-day fund, getting into the savings habit or a longer-term investment, and developed savings accounts and tools to support those needs. I have also been involved in a number of digital transformation programmes to develop better online access to accounts for customers.

My roles have also encompassed understanding and managing risks relating to the product area including regulatory and compliance risk and in particularly liquidity risk, ensuring we have sufficient savings balances to maintain internal and external liquidity thresholds and support lending targets.

Samuel Hale

It is a pleasure to stand for the Co-op Credit Union board. I have been involved in the Co-operative movement for several years, and believe that at this time, now more than ever, co-operation is the answer to the challenges our economy and society face. A strong credit union is one that not only protects members' cash and provides an affordable alternative to payday lenders, but also argues that our values lead us to a better way of doing business.

I initially got involved in the movement as an employee of the Bank on their Treasury Graduate Scheme, helping manage and monitor prudential risks across the bank. I also served as an elected member of the Group's National Member Council for 4 years, holding the Group Board to account for the performance of the business. During this time I also served on the Business Performance Committee.

I was proud to stand as a joint Co-operative Party candidate in the 2017 General Election, fighting for a society in which power and wealth are shared, and to provide more exposure to Credit Unions.

Since leaving the Co-operative Bank, I now help build and develop start-up banks across the North West – challenging the big high street banks which stifle competition and exploit vulnerable customers.

I am also a member of the Customer Union for Ethical Banking, holding the Co-operative Bank to account and ensuring it maintains its market leading ethical stance.

| FRIENDS OF THE CO-OPERATIVE FAMILY CREDIT UNION | | | | | | |
|---|--|--|--------------------|--|--|-------------------|
| Income and Expenditure Account for year ending 30th September 2020 | | | | | | |
| Income | | | 2020 | | | 2019 |
| Lottery receipts | | | £44,344.00 | | | £42,418.00 |
| Bank Interest Received | | | £55.07 | | | £12.65 |
| | | | ----- | | | ----- |
| | | | £44,399.07 | | | £42,430.65 |
| EXPENDITURE | | | | | | |
| Prize Money | | | £21,600.00 | | | £21,300.00 |
| CFCU Grant 01.10.19 | | | £21,000.00 | | | |
| CFCU Grant 28.09.20 | | | £23,000.00 | | | £0.00 |
| | | | ----- | | | ----- |
| | | | £65,600.00 | | | £21,300.00 |
| | | | ----- | | | ----- |
| Surplus | | | -£21,200.93 | | | £21,130.65 |
| | | | ===== | | | ===== |
| Reserves | | | £21,271.99 | | | 141.34 |
| | | | ----- | | | ----- |
| Bank Balance as at 30.09.20 | | | £71.06 | | | £21,271.99 |
| | | | | | | |
| | | | | | | |