

Annual Report 2012/13



Bridgend Lifesavers Credit Union

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Results/Performance in summary
Members savings £1,427,925 Up 11%
Member Loans £702,072 Up 23%
Loan Income £102,907 Up 29%
Reserves £153,310 Up 13%
Profit £27,000
Dividend 1%

DIRECTORS' REVIEW



Financial

Our financial year ending on the 30th September 2013 was the fifth consecutive year in surplus since the 'credit crunch' of 2007-2008.

Those years proved to be difficult for Bridgend Lifesavers, with a high level of loan defaults leading to significant losses. The importance of holding substantial reserves was confirmed, enabling the Credit Union to cover the losses while allowing us the time to revise lending practices, credit control and debt collection processes in order to restore profitability. The prudence exercised since we commenced trading in 2000 ensured the future of Bridgend Lifesavers without the need for special support.

Now the position is transformed. While our reserves in 2008 were just £8,037, we now see record levels of both Reserves and Member savings and the general health of Bridgend Lifesavers looks excellent.

Lending

A founding tenet of Credit Unions is to provide loans at affordable prices and to make them available to those who may find it difficult to obtain credit elsewhere, on reasonable terms. However, low interest rate margins mean that the ability to absorb defaults is limited, so ensuring very high repayment levels is vital. A few months ago our Supervisory Committee reviewed the level of default over the whole period of the Credit Union's existence and made the comforting observation that after a period of 13 years, the level of default are now at just 5.2%, its lowest point ever and a significant achievement. There is always more to do, firstly to minimise the factors which cause a loan to go "bad" and secondly, to ensure, as far as possible, that amounts loaned out are always repaid.

At the present level of growth, we expect to see over £1,000,000 out on loan by end-December 2015.

Funding

Once again, Bridgend Lifesavers received significant funding from the Welsh Government to support the delivery of services to the "financially excluded". Despite the fall in public funding, from £92,000 to £70,000, profits still reached £27,000, enabling a dividend of 1% to be paid on all member savings, together with an interest of 3% and 4% on junior accounts.

We were able to "bridge the gap" primarily through an increase in loan income, from £79,516 to £102,907. The projected increase in lending revenue will take our Credit Union to full sustainability by the end of 2015, which has to be the objective of all Credit Unions in Wales.

Please note: A short financial statement of the Bridgend Lifesavers Income & Expenditure Account and Balance sheet can be found in the Treasurer's report but a full copy of the statutory accounts can be obtained from the Head Office in Sarn.

Branches

Our town-centre office in Bridgend has been a great success, exceeding all the business objectives agreed with the funding organisations and is now playing a major part in the business. In July last year we were also delighted to introduce a third branch, in Oxford Street, Pontycymmer, opened by Geoff Cuthbert AM, the Minister for Communities and Tackling Poverty.

Business Development

Considerable effort is being devoted to bringing the benefits of Membership to many more people who live and work in Bridgend County Borough or those who work for the NHS in South Wales. In 2012, we appointed a Business Development Manager, Damian Faulkner, who is currently working with a number of partners. A full report of can be found in the Business Development report.

Future Outlook

There is a film called “Men of Rochdale”, which tells the wonderful story of the Co-operative Movement (well worth seeing, in this troubled time for the Co-operative Group). At the end, a shout goes out: “Is your work yet done, men of Rochdale”, to which the resounding call is “No”. That is where we are with Bridgend Lifesavers Credit Union -much has been done, but there is still much to do!

Achievements since April 2000

**Total Membership (equivalent to 8-10% of
BCBC population): 6,450**

Active Membership: 3,459

Total Number of Loans: 8,050

Total Value of Loans: £5,267,683.93

**Total Interest Saved by our Members:
£2,493,369**

Tributes

Once again a big thanks to all the Staff and Volunteers who have made possible all that we have achieved.

Brian Rees, President

MANAGER'S REPORT



Another excellent year for Bridgend Lifesavers Credit Union!

Going forward, we aim to build on these successes whilst still maintaining our core ethos of enabling low cost financial services to the whole of the community, developing projects to ensure that the Credit Union is at the forefront of supporting the most financially vulnerable.

Achieving sustainability also has to be a key priority and we are confident that all our efforts are moving us in the right direction. It is this balance between financial inclusion and sustainability that we constantly look to accomplish.

To ensure we reach our goals, we will continue to focus on a number of key issues:

Bad Debt

Whilst our bad debt is relatively low, we do need to ensure that this is maintained at the current level whilst our loan book continues to grow. We have tightened procedures considerably over the last two years and will continue to ensure that staff are trained fully to keep our bad debt levels to a minimum whilst still maintaining the Credit Union culture of supporting any members who may be experiencing financial difficulties.

As a Credit Union, we do recognise that a members' change in circumstance may lead many members to default on their loan repayments. The Credit Union does not penalise by adding charges but instead looks to contact these members to discuss how we can support them during any difficult periods, often lowering payments and reducing interest rates over a mutually determined period of time.

Growth in Membership

We are consistently looking to promote the Credit Union at every opportunity and are currently working with a number of external organisations to ensure that we reach as wide an audience as possible.

We are also planning a number of new collection points across the Borough to ensure that the Credit Union is accessible to the whole community, particularly in those areas where high street financial services are no longer available.

Payroll Deduction Services

We are looking to extend our payroll deduction services into the private sector but will continue to promote our services to our existing payroll deduction employers.

Review of Prod

Our products are reviewed on a regular basis to ensure that we continue to remain competitive in the market place. Not only do we offer competitive returns on savings by way of a dividend, but in a recent study, it was found that on loans up to the value of £3,000 we offer lower rates than many of the high street banks and building societies.

Office Procedures

As our business grows, there is a need to constantly develop our operations to allow us to provide the services more effectively. We have already introduced a number of new procedures, such as BACS payments, to ensure that we can offer a better service. We are also looking to introduce automated credit posting in the near future which will allow us to offer a more enhanced service to members who require benefit payments to be paid direct into their credit union account.

New Developments

Over the course of the next year, we intend to develop and launch a new website with additional functionality such as online membership applications. We are also looking to introduce card payments for members to pay direct into their credit union account. Whilst these new facilities may take several months to finalise, it is anticipated that they will be available for Credit Union members by next year end.

The forthcoming year will be perhaps the most exciting yet for the Credit Union movement across Wales. Due to the outstanding support from Welsh Government, Credit Unions now have the opportunity to develop a marketing campaign that will promote our services more widely and will also allow us to develop our IT infrastructure to ensure that we remain up-to-date.

A new marketing campaign is to be launched in April this year which will take the form of TV and radio advertisements, billboards and roadshows, promoting the Credit Union to a wider audience.

There has been so much positive press in recent months regarding Credit Unions and as a result we have seen a dramatic rise in interest from organisations looking to work in partnership with Bridgend Lifesavers Credit Union.

Whilst sustainability is, and will continue to be, a priority for our Credit Union, please be assured that our commitment to supporting the whole of the community remains as strong as ever.

Nicola Field, Manager

BUSINESS DEVELOPMENT



The last year has been extremely busy and we have worked hard to continue raising the profile of the credit union, not just within the community but also among the organisations and businesses of Bridgend. Our work continues to focus on the principle of sustainability, while maintaining a strong commitment to financial inclusion.

Community Partnerships

We continue to work as much as we can with local organisations and charities. I currently sit on the Communities First-led Tackling Poverty panel and have been actively attending V2C tenant engagements across Bridgend County Borough. I have also given presentations to staff at Job Centre Plus, to local Councillors and to the service users of organisations like Hafal and Mental Health Matters. The success of our existing relationships with organisations like the Wallich and Citizens Advice Bureau mean that we are looking to extend our work further, in order to reach even more vulnerable individuals and families. With support from Welsh Government we also intend to open three new collection points in the coming year.

Projects

While there are a number of projects that we are developing, the past year has seen a focus on four particular schemes that should have a significant and positive impact on the credit union and which highlight our commitment to financial inclusion and work within the community.

Bridgend College: We have recently begun to engage with Bridgend College and will shortly be attending launches at both the Bridgend and Pencoed campuses with a view to offering financial services to both the staff and students of the college. With over 800 staff and 12,000 students we hope this will become a significant partnership for Bridgend Lifesavers going forward.

School Savings: We are also in the early stages of a scheme, run in partnership with Communities First and supported by a Welsh Government grant, to initiate 5 separate primary school collection points. The intention will be for the students to operate and manage the collection point, gaining both life and financial literacy skills, while developing the habit of saving. We are extremely positive about this project and anticipate more schools joining us.

Parc Prison: We have been piloting an in-house saving scheme which is already showing positive results. While the savings account closes on release, the scheme is designed to provide offenders the opportunity to build some financial protection before re-settling into the community. This is also part-funded by Welsh Government with hopes to extend the scheme to include child savings accounts.

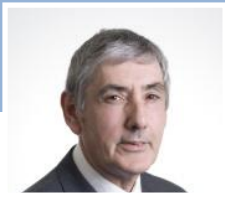
Wallich: We already have a strong relationship with the Welsh Homelessness charity but we are actively looking to extend the service to increase our support with a whole range of financial services.

Marketing

Marketing is forming an increasingly large part of our focus and a lot of time has been spent on improving the way we are able to communicate our services to as wide an audience as possible. Considerable work has gone into the design of a new website while several brochures, both generic and specific, have been developed. While all of these are due for an imminent release we are also maintaining our presence through Twitter, Facebook and good old-fashioned community-awareness sessions.

Damian Faulkner, Business Development Manager.

CREDIT COMMITTEE REPORT – YEAR ENDED SEPTEMBER 2013



It has been a busy year, with both a high demand for loans and a high number of successful applications. With small loans making up a high proportion of applications, Members have clearly been concerned with job security, reductions in benefits and the escalating costs of food and energy.

The increase in loan applications comes alongside the continued growth of Bridgend Lifesavers, with new offices establishing themselves in Bridgend and Pontycymmer. Both branches give us the ability to reach out to new Members providing services to more and more people within our community.

Members are also taking advantage more than ever of online functionality to check their account, download forms or to gather more information about the Credit Union. With the increase in membership comes an increasing awareness of our services which only helps to strengthen the Credit Union for the future.

Loan Applications and Credit Responsibilities

We take our role in assessing each individual loan application very seriously, with the Credit Committee responsible for two main objectives:

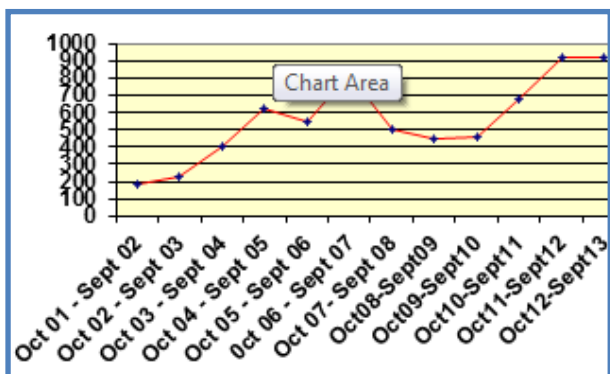
- Providing Members with affordable loans
- Ensuring, as far as possible, that members' funds are fully protected

Members can apply for loans after saving for 6-8 weeks and decisions are based on the necessary background checks and ability to pay – all within the safe working practices of the Financial Conduct Authority.

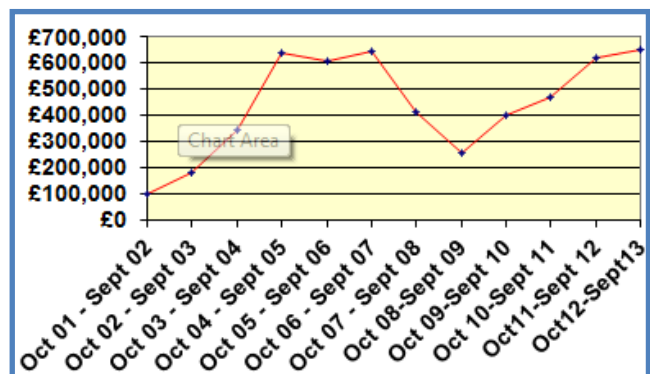
Year End 30th September 2013

This has proved to be a very successful year with lending at £650,649 to a total of 922 Members.

Total Number of Loans, by Year



Value of Loans, by Year



Overview of Loans 2012-13

Loans at 2%: 757 - £361,845

Loans at 1%: 129 - £262,999

Secured Loans: 36 - £25,805

Total Loans

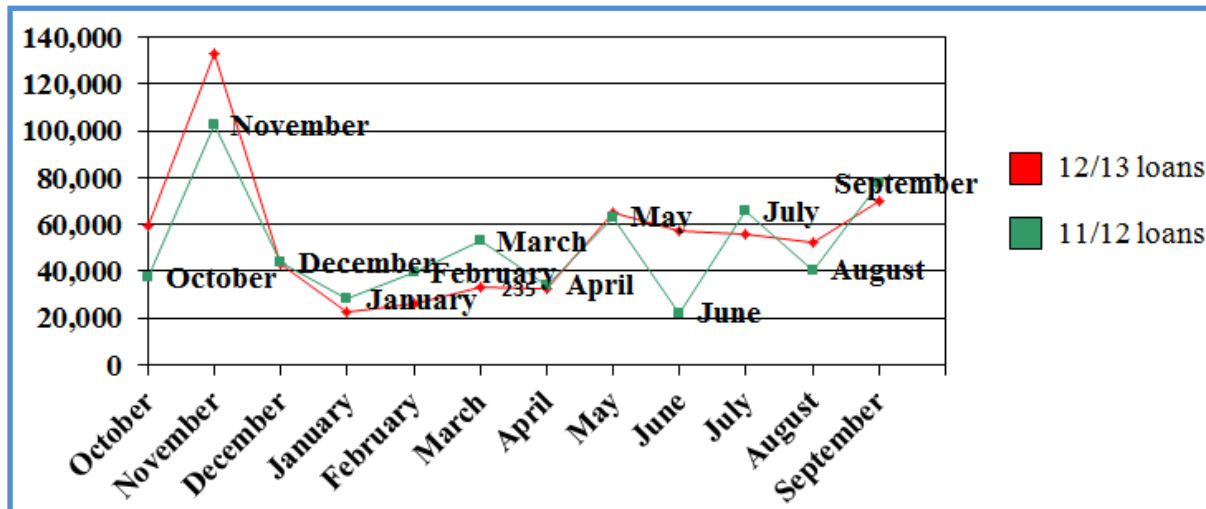
12/13: £650,649 to 922 members, average loan value £705

11/12: £619,284 to 916 members, average loan value £676

10/11: £484,061 to 674 members, average loan value £719

09/10: £394,358 to 458 members, average loan value £869

The graph below shows the fluctuating monthly demand for loans, with a high during the Christmas period.



Total loans for Oct-Dec 2012: £235,383 to 388 members

Total loans for Oct-Dec 2011: £184,413 to 318 members

Total loans for Oct-Dec 2010: £141,940 to 190 members

Total loans for Oct-Dec 2009: £114,124 to 173 members

Total loans for Oct-Dec 2008: £92,607 to 159 members

Bad debt is continually monitored, with action been taken in all cases. The current bad debt level for this period is 5.2%.

John McCarthy, Credit Committee

TREASURER'S REPORT



This year I am pleased to announce that the Bridgend Lifesavers Credit Union has continued to grow in all areas.

Compared to 2011-12, adult share savings rose by 11% in 2012-13 to £1,428,000 and junior savings increased by 25% to £109,000. In addition there was an increase in Child Trust Fund balances from £21,000 to £25,000.

Lending has also increased this year with the value of loans issued up by 15.5% and an increase in loan balance from £568,000 to £702,000 at end of September.

Overall the net assets of the Bridgend Lifesavers have increased to over £1,690,000 - a rise of 12%.

Income & Expenditure 2011-12

The surplus for the financial year ended 30th September 2013 as shown in the audited accounts is £27,392 after taxation.

This year's surplus reflects further improvements in income through increased interest received on loans from £79,516 in 2011-12 to £102,907, an increase of over 29%. In addition the investment of surplus cash deposits across a number of higher interest accounts also increased the income received through bank deposit interest.

Compared to 2011-12, however, grant funding received this year reduced by just under £20,000 due to the withdrawal of DWP funding.

This year has also seen the opening of the new premises in Pontycymmer and expenditure on administration and establishment costs has increased compared to 2011-12, reflecting the costs associated with running the additional premises. In addition bank charges were applied by the Co-operative bank this year for post office deposits increasing the expenditure by some £3,500. The Board are now in the process of opening an additional bank account with Lloyds bank to reduce these costs.

The in-year cost of loan default and bad debt provisions increased by just under £4,000, although outstanding debts continue to be pursued and over £14,000 of debts previously written off were recovered in-year. I would like to again thank the staff for their efforts in chasing aged debts.

The Future

Overall the performance over the past 4 years has been very encouraging and the staff are to be congratulated on maintaining tight financial control.

Currently we are in the process of updating our financial forecast plan for a further 3 years to September 2018. Achieving self-sustainability has been a key priority over the past few years and continues to be the aim for the future.

Dividend and Interest payment

In view of the continued improvements in financial performance I would like to recommend that the dividend on adult shares for the financial year ended the 30th September 2013 be set at 1%, junior savings receive 3% and Child Trust funds receive 4% interest payments, in line with previous financial years.

Julie Field, Treasurer

SUPERVISORY COMMITTEE

The Supervisory Committee consists of John Finch (chairman), Tirion Pritchard and Ruth Howells.

We met a number of times in the last year and conducting audits and making recommendations on the following subjects:

- Computer Security
- Cash Handling
- Anti Money Laundering Procedures
- Loan Granting
- Conduct of Board Meetings
- Approved Persons in the PRA/FCA Register
- References for new staff and volunteers
- Credit Control

We would like to thank the Manager and her staff for their co-operation during our audits. We are pleased to report that our recommendations were accepted by the Manager and the Board.

We are now planning our audit programme for 2014 including a follow-up of the recommendations we made in 2013.

John Finch, Tirion Pritchard and Ruth Howells, Credit Committee

***“On behalf of all the Directors, Staff and
Volunteers,
We thank you for your continued
support and commitment”***



***Bridgend Lifesavers Credit
Union***