

Stroud Valleys Credit Union Annual Report and Accounts Year to September 2019

Stroud Valleys Credit Union has again proved popular in our local communities with membership growing from 732 to 841 in the last year. We now have shares to the value of £558,247. We have helped more members than ever with loans as at the end of September totalling £132,484. Our average rate of interest compared favourably, even with the national figure for credit unions.

It was a disappointment to have to close our Dursley and Nailsworth collection points, but the number of members using them was decreasing and we thought it best to use our volunteers' time to increase the hours of service in Stroud. We now open 5 days a week between 11am and 1pm, including Saturdays. Members can still use Berkeley on a Tuesday morning also. Having premises in the centre of town remains extremely important to us as we know many of you value dealing with us face-to-face.

For those who prefer to use the Internet, our services improved significantly during the year with new members able to join on line and existing members able to apply for loans. Our latest web site now works just as well on phones and tablets and is much easier to find your way around.

We are very grateful to Stroud District Council who again gave us a grant which has contributed towards us maintaining the Old Town Hall premises for a further year. We also thank Stroud Town Council for their support to improve the resilience of our computer system.

I am disappointed to report that our accounts show a loss of £16,698. Although we were able to cover our own running costs, we have been forced to put aside a sizeable sum of money for loans that may not be repaid. The number of members either falling behind, or stopping their loan repayments altogether has no comparison with any point in our history. Credit unions the length and breadth of the country are reporting the same experience. We are approaching this with great diligence and we continue to have patience and sympathy for members whose personal circumstances change after taking a loan. But on a small number of loans, repayments have stopped completely and we may never be able to recover all of the money. I stress that your savings are safe. We will never use members' money to cover our own costs.

For this reason, we are reporting a loss and propose that we do not pay a dividend this year.

As a private individual your savings are covered by the Financial Services Compensation Scheme. If we were ever unable to pay back your savings in full, the scheme would ensure you get your money back. You would not need to do anything.

Despite this setback, we acknowledge as a credit union the importance of considering applications from all members, including those who the mainstream lenders don't support due to the size of loan required or their personal circumstances. We have reviewed and tightened our lending policy and we are focussing again on smaller loans with preference shown to applicants who can demonstrate they can save alongside borrowing, however small these savings might be.

There are lots of exciting developments coming along in 2020. We have already launched our new web site and a Family Loan for members who save using their child benefit payments. We will also launch a Pet Account where members can save and apply for a loan if there is a shortfall when their animal needs treatment. Our latest initiative "Save £100 in 2020" aims to fix the problem where today half of twenty somethings have no savings and many older adults have less than £100. We also hope to use the Stroud offices for some money management and budgeting training for members.

Notes to the accounts - Revenue Account

The Revenue Account is a total of our income and outgoings through the year. We are a not-for-profit organisation, but we do need to earn enough money to cover our expenditure and be sustainable. This means that we intend to operate at a small surplus to cover any losses in future years, to grow membership and to improve service.

Loan interest receivable and similar income:

Because the total value of loans increased in 2018, we earned more in interest.

Fees and commissions receivable:

More new members earned us additional membership fees.

Other income:

We are grateful again to Stroud District Council for their grant which made up most of our other income.

Administrative expenses:

For most of the year we employed two, part-time staff members. Our other biggest costs were to pay our auditors and maintain our technology. We are grateful to Stroud Town Council who paid us a grant to cover some of our computer expenses.

Other operating expenses:

This is mainly rent on our Stroud Old Town Hall office and collection point.

Impairment losses on loans to members:

The number of borrowers falling behind, or stopping repayments altogether, increased sharply compared to previous years. We don't know yet how much money we will actually lose, but it would be unwise to just wait and see. We have set aside money now as a "provision" against losing some of this money we are owed.

Taxation:

As a credit union we have to pay tax on any interest we earn on money deposited with banks and building societies.

Deficit for the Financial Year

Although our income was greater than in 2018 and our actual expenditure was lower, we are reporting a deficit due to the big increase in "impairment losses on loans to members"

Notes to the accounts - Balance Sheet

The Balance Sheet is a snapshot of Stroud Valleys Credit union at the 30th September 2019. Adjustments are made for money we owed on that date, but hadn't paid and money owed to us that we hadn't yet received. Stroud Valley Credit Union is a co-operative owned by its members who are also its shareholders.

Assets

Members deposit money with us as savings. We lend out some of this money as loans which is shown as **Loans and advances to members**. We deposit the remainder in banks and building societies in instant access or short notice accounts. This is shown as **Loans and advances to banks**. Across the year, the amount lent out on new loans appears slightly lower than in 2018, but we have had to reduce the total figure by the impairment losses on loans to members described earlier. Without this it would show that we had lent more in 2019 than in 2018.

Liabilities

Members savings show as **subscribed capital payable on demand**. During the year, more money has been received than withdrawn so the value has increased again.

Retained earning have reduced as the only source of money to cover **impairment losses** is from previous year's earnings. The Rulebook guidelines say that retained earnings cannot reduce to near zero, so a new Lending Policy will reduce risk and funding is required to replace the money put aside to cover losses.

STROUD VALLEYS CREDIT UNION
Revenue Account for the year ended 30th September 2019

	2019	2018
	£	£
Loan interest receivable and similar income	27,175	19,687
Interest payable	0	(1,014)
Net interest income	27,175	18,673
Fees and commissions receivable	1,001	845
Fees and commissions payable	0	(100)
Net fees and commissions receivable	1,001	745
Other income	11,859	14,066
Administrative expenses	(16,950)	(17,580)
Depreciation and amortisation	(1,160)	(832)
Other operating expenses	(13,891)	(16,822)
Impairment losses on loans to members	(23,716)	(711)
Deficit before taxation	(15,682)	(2,461)
Taxation	(1,016)	(888)
Deficit for the financial year	(16,698)	(3,349)
Total comprehensive expenditure	(16,698)	(3,349)

Balance Sheet as at 30th September 2019

	2019	2018
	£	£
ASSETS		
Loans and advances to banks	481,811	461,239
Loans and advances to members	102,971	110,597
Tangible fixed assets	1,490	1,660
Prepayments and accrued income	9,842	3,647
Total assets	596,114	577,143
LIABILITIES		
Subscribed capital payable on demand	558,247	529,031
Other payables	12,782	6,329
	571,029	535,360
Retained earnings	25,085	41,743

Total liabilities

596,114	577,143
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