



**Hull and East Yorkshire
Credit Union Limited**

Annual Report and Financial Statements 30 September 2023

Authorised by the Prudential Regulation Authority
and regulated by the Financial Conduct Authority
and the Prudential Regulation Authority

Registered number 591C

FRN 213620

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Hull and East Yorkshire Credit Union Limited

Credit Union Information

Directors

Chloe Birr-Pixton

Tony Craggs

Terry Dagnall

Allan Davidson

Joseph Hendon

Alan Hignett

Matthew Kelly

Ken McCall

Bill Meadows

Susan Nicholson

Kate Pike

Andrew Stankard

Auditors

Jacksons

First Floor

Albion House

Albion Street

Hull

HU1 3TE

Bankers

The Co-operative Bank PLC

Registered office

38 Brook Street

Kingston upon Hull

HU2 8LA

Registered number

591C FRN 213620

REPORT OF THE DIRECTORS for the year ended 30 September 2023

Fellow Members,

We have pleasure in submitting our Report and the Audited Accounts of the Credit Union for the period ended 30 September 2023.

PRINCIPAL ACTIVITIES

The Credit Union's principal activity during the year continued to be that defined in the Credit Unions Act 1979 and there have been no significant changes in the activities during the year.

GOVERNANCE

Directors and Officers

| Directors: | Office held | Possible attendance | Actual attendance | Committees served | Notes <i>E- Elected R -Resigned</i> |
|-------------------|---------------------|----------------------------|--------------------------|--------------------------|---|
| Aneesa Akbar | | 6 | 3 | | <i>R – Apr 2023</i> |
| Chloe Birr-Pixton | Assistant Secretary | 11 | 7 | SP | |
| Tony Craggs | Treasurer | 11 | 10 | AR | |
| Terry Dagnall | | 11 | 6 | | |
| Allan Davidson | | 11 | 9 | AR | |
| Joseph Hendon | Vice President | 11 | 7 | AR PT | |
| Alan Hignett | Secretary | 11 | 11 | AR PT SP | |
| Matthew Kelly | | 11 | 0 | | <i>Illness</i> |
| Ken McCall | | 2 | 2 | | <i>Co-opted – Jul 2023</i> |
| Bill Meadows | Vice President | 11 | 10 | PT SP | |
| Susan Nicholson | | 11 | 7 | | |
| Kate Pike | | 11 | 8 | AR PT SP | |
| Andrew Stankard | President | 11 | 10 | SP | |

Committees: AR – Audit & Risk; PT – Personnel & Training; SP – Succession Planning

Aneesa Akbar resigned from the Board on relocating to the West Midlands and we thank her for her service. In her place we co-opted Ken McCall. During the year your Board held 3 in-person and 8 virtual meetings.

Leadership Succession

At the end of 2022, our inaugural Chief Executive, John Smith, decided to step back from the role as part of his retirement planning and instead serve in a part-time capacity as the Board's Governance Officer. The Board wish to place on record their thanks to John for his 23 years unstinting service, including 12 years as Chief Executive. Matthew Stevens was promoted to the Chief Executive role with effect from 1 May 2023. Matthew joined us in 2007, initially in the Lending Team, then as Project & Systems Manager and latterly our Chief Operating Officer.

Strategic Planning

At a Strategic Planning Event held at The Courtyard, Goole, in May, the Board reviewed progress with our Business Plan. The new Chief Executive set out his vision and expectations for the next five years. Potential new projects and product options were discussed, in line with our four Strategic Priorities. With the benefit of recent legal reforms, our ongoing growth will produce even more beneficial impact for our members and communities.

Our Four Strategic Priorities:

Sustainable Loan Growth
Deepen Member Relationships
Expand the Ethical Brand
Improve Member Experience

Director Training and Development

The directors follow a Training Plan informed by the annual **Board/Director Evaluation**, which identifies their top training needs. They participated in in-house **Training sessions** on *The FCA Consumer Duty*, *Sustainable Loan Growth* and *An overview of the ABCUL Training Academy*.

Board Committees

Our two main standing Committees met to oversee key areas of work, reporting back to the Board:

Audit & Risk Committee – 3 meetings

Audit findings on Key Financial Systems, Loan Compliance, Income and Savings Products, and Management Information were thoroughly discussed with our internal auditors, TIAA, along with management follow up. Much attention was given to new and emerging risks including the impact of escalating interest rates, high inflation and energy costs, and Government uncertainties affecting business and our members. We addressed service issues with our banking providers and closely monitored our Invested Funds, where further progress was made to diversify our £8 million portfolio, without loss of valued income returns.

Personnel & Training Committee – 3 meetings

To support our staff team during the cost of living crisis, the annual pay review was brought forward to October, giving all grades an uplift of at least 9% and maintaining our accreditation as a Real Living Wage employer. The Flexible Working trial was reviewed, found to be working well, and extended. The ABCUL Training Academy and HEYCU Code of Conduct were updated to embrace new FCA Conduct Rules.

Governance

At the AGM in December, members voted in favour of Rule changes to add 12 more employers and eight occupational groups, as well as the entire YO postcode area, to our common bond, and to raise the age when Junior Savers convert to Adult Membership from 16 to 18. These were registered with the FCA Mutuals Registrar on 21 March 2023. Your Board provided comments in response to the PRA's *Consultation Paper 7/22* on regulatory changes to give UK credit unions more flexibility to expand and diversify in the changing financial services world.

REVIEW OF THE YEAR

Membership

| | Total as at 30.9.22 | New accounts | Closures | Total as at 30.9.23 | % change |
|---------------|----------------------------|---------------------|-----------------|----------------------------|-----------------|
| Adult Members | 14,821 | 5,372 | 3,878 | 16,315 | +10.1% |
| Junior Savers | 1,349 | 72 | 168 | 1,253 | -7.1% |

Savings, Loans and Assets

| | 2023 | 2022 | % change |
|-----------------------------------|-------------|-------------|-----------------|
| Adult Members' Savings deposits | £13,778,606 | £14,132,070 | -2.5% |
| Junior Savings deposits | £612,916 | £593,545 | +3.3% |
| Average deposits per Adult Member | £845 | £953 | -11.3% |
| Average deposits per Junior Saver | £489 | £440 | +11.1% |
| Total Members' Loans | £6,834,271 | £5,480,505 | +24.7% |
| Average loan per borrowing Member | £1,573 | £1,514 | +3.9% |
| Total Assets | £16,460,552 | £16,436,038 | +0.2% |

Key Ratios

| Indicator of: | Indicator | 2023 | 2022 | Target |
|-------------------------------|--|-------------|-------------|---------------|
| Effective financial structure | Capital to Total Assets | 10.4% | 9.8% | >10% |
| | Borrowings to Total Assets | 1.5% | 0% | 0% |
| | Total Shares to Total Assets | 84.2% | 86.0% | 70-90% |
| | Net Loans to Total Assets | 39.1% | 31.6% | >40% |
| Protection | Bad Debt Written Off to Total Loans | 1.9% | 3.9% | <10% |
| | Net Assets to Total Shares and Junior Deposits | 111.9% | 110.9% | >105% |
| Asset quality | Arrears (over 3 mths) to Total Loans | 5.7% | 4.6% | <20% |
| | Non-earning Assets to Total Assets | 6.7% | 9.5% | <10% |
| Returns | Loan income to Average Total Loans | 17.2% | 17.3% | >6% |
| Efficiency | Administrative Expenses to Total Assets | 6.6% | 5.6% | <8% |
| | Members and Juniors served per FTE Staff | 1,040 | 1,043 | >1,000 |

Financial Results

Loan book growth and higher investment returns helped to raise total income by 10.3%, while administrative expenses, impacted by inflation, grew by 16.7%. Our tax liability alone rose £31,000 (Corporation Tax rising to 25% from April). The **Surplus** (after Tax and Dividends) is £116,273. Considering we didn't raise our loan interest rates and, at the 2022 AGM, rewarded members with a higher Dividend, this is a significant achievement. Last year's exceptionally high Surplus included one-off development grants of £140,000. If these are stripped out of 2022's result, the underlying improvement in Net Surplus is £34,315 or 41.9%.

This year, **Members' Savings** slowed down and, by year end, for the first time ever, balances were 2.5% lower than a year ago. This trend was in line with our peers as members drew on their accumulated funds to cope with the cost of living, seek out higher returns, or simply enjoy their nest-egg upon reaching retirement.

Our **Capital Reserves** continue to grow, and with a Capital to Assets Ratio of 10.4%, are well above the regulatory minimum for a credit union of our size. In March we repaid the £30,000 Subordinated Loan from Withernsea Big Local and thank them for this useful facility. Members can be very proud of the strong balance sheet that has been steadily built up during our 24 years of operation.

Sustainable Loan Growth

This means being able to expand our loan book, year by year, by providing the best possible outcomes for our ever-growing membership, meeting their borrowing needs affordably and responsibly, while managing the risks effectively so as to remain sustainable. We are making good progress with this priority.

During the year, **Bank base rate** increased seven times, putting many mortgage holders and credit users under severe pressure. By contrast we haven't raised any of our loan interest rates for over ten years, and have no plans to add to our members' burden by doing so. By making our loans, large and small, as affordable as possible, and providing a highly personalised service (every application being carefully decided by a trained human underwriter), **we grew our loan book by nearly 25%, and issued a record 6,704 loans.**

Another factor in our success was the targeted pay-per-click advertising via Facebook and Google, part-funded by **Fair4All Finance**, which began in 2022. Our 'test and learn' campaigns, featuring Loans for Cars/Cycles, Home Improvements, Christmas and Back to School, as well as explaining our credit union difference, all helped to attract new members. Analysis of the results of one campaign showed visits to the loans page of our website eleven times higher than ever before. We also furnished local cycle and electric scooter dealers with postcards to enable them to refer clients looking for affordable credit to us.

Payroll partnership development

We accelerated our policy of engaging with employers across the region to promote the **Payroll Save and Borrow** staff well-being benefit, making visits to over 20 different workplaces and presenting several online sessions. New payroll partnerships started at *Dunlop Oil & Marine* in Grimsby and the *TEC Partnership* (one of England's largest providers of further and higher education, with four large campuses in our region).

During **Talk Money Week** in November, we presented certificates to senior personnel at eight of our partners to celebrate their good work in supporting workplace financial well-being and, with associated publicity, inspire others to follow their example. We also issued 'thank you' certificates and vouchers to some of our Workplace Champions who volunteer to spread the word for us and help organise the workplace visits.

In 2023 **we recruited 294 new payroll members** and began talks with several other significant employers.

Deepening Member Relationships

This priority focuses on better serving members with a range of products suited to their needs at all stages of their life, encouraging life-long loyalty and a willingness to recommend us to their family and friends.

Throughout the year we sent **E-News** to over 9,000 members with email accounts, making them aware of our offers, inviting feedback and encouraging them to explore additional products, such as Junior Savers, Matched Loans, Christmas Savers and Engage digital bank accounts. Our popular **Members' Lottery** increased its ticket sales by 7%, enabling the promoters to both offer higher prizes and donate £7,000 to support our work.

Through our partnership with the **Stop Loan Sharks Team**, we were able to award **£25 bonuses to 172 members** who opened a Christmas Saver account for 2022 (up from 68 in 2021) and to 130 North East Lincolnshire residents who joined our new Grimsby branch and met the savings criteria.

We ran monthly member-exclusive **Prize Draws** on our social media sites with prizes ranging from £100 (*International Credit Union Day*) to 2 x £50 (UK Savings Week), often attracting over 200 entries.

Expanding the Ethical Brand

Here the aim is to communicate our purpose and ethics, establish community partnerships and demonstrate social impact.

On 9 December, nine directors, staff and invited members met at Costello Park, Hull to plant the first 50 trees donated to the *Humber Forest*, to honour our **Green Loan** environmental pledge. Further plantings will be arranged in other parts of our region.

At the **Hull BID Awards** in January we sponsored the *Welcoming Premises* award, given to The Brain Jar.

We continued to be active in our local authority **Financial Inclusion** Networks, made a keynote presentation on *Identifying Vulnerable Consumers* to East Riding of Yorkshire Council's Strategy Day at the Spa, Bridlington, and briefed their *Your Money Team* on our services. We supported the launch of Hull's *Poverty Truth Commission* and discussed our impact on poverty with the *Royal Society for Public Health*.

Andy, our President, was a guest speaker at two **Co-operative Party** webinars, outlining how we support members with disabilities and, as a co-operative, address equality and diversity issues.

Short videos about our products went live on the website and *YouTube* and we produced a range of new publicity leaflets and banners to support outreach activity. Twelve new 'money-tips' blogs were added to the **Financial Wellbeing** web page and we were interviewed three times on *BBC Radio Humber* about cost of living issues. Mention of the Christmas Saver led to 40 applications the next day! Media releases were issued showcasing our annual results and to introduce our new Chief Executive.

Improving the Member Experience

This priority is about continually finding new and better ways to serve our members, with simple to use services accessed easily whether online or in branch.

In July the Financial Conduct Authority introduced **the Consumer Duty**, placing new obligations on all firms to pro-actively ensure they deliver good outcomes for consumers. We prepared well for this, appointing a director as our Consumer Duty Champion, reviewing and updating all product policies, simplifying T&Cs, and training and briefing our team. Plans for more systematic collation of member feedback are under way.

Our branch teams have been kept busy reaching out to their wider community: **Bridlington** ran information sessions at *The Hinge* community hub, the Children's Centre and a Family Day at the Spa. **Driffield** partnered with the Town Council to deliver flyers to every home on a new estate. **Goole** ran awareness sessions at Goole Library, Adult Education and two Children's Centres, besides leading on the *Christmas Toy Appeal*. In May, a new weekly contact point was opened in **Gilberdyke**, staffed by *Unique Friends*, a family support group. **Grimsby** provided financial wellness sessions around personal budgeting and saving at West Marsh, opened a monthly contact point in Immingham Library and, in March, welcomed their 500th member. **Scunthorpe** ran sessions at the Job Centre and began Friday visits to *Westcliff Community Centre*. **Withernsea** linked with Shores to promote *Multiply*, a government funded scheme to encourage adults to improve their numeracy skills, and ran a stall at the *Blue Light event* in August, warning of the perils of loan sharks. **Hull** branch visited *The Goodwin Centre* and *Greatfield Community Shop*, and from April supported a new weekly contact point at **Hessle** Town Hall. We are grateful to *Hessle Town Council* for a start-up grant of £1,000 and to *Hessle & Anlaby Food Bank* for providing an excellent team of four volunteers.

Our People

We welcomed new colleagues Maria and Sherilee (Hull), Sue (Bridlington) and Malcolm and Anne (Withernsea), and thanked Lisa (Hull) and Sandra, who retired from the Lending Team after 14 years' service. Mareth also retired after ten years as a volunteer at Withernsea.

Lauren (Branches Manager) and Jo (Goole) were recognised with **ten years' service** awards. We were pleased that Lauren won a scholarship with the *WOCCU Global Women's Leadership Network*, while Maya (Hull) became our third graduate on the **CU Futures** Young Leadership programme. Maya and her team mate from Co-op CU, Joel, won the Group Project Prize for their impressive report on CU technology collaboration, enabling them to attend the *Inclusiv Conference* in Tennessee, USA. Congratulations to them!

We were sad to learn of the death of Mike Adamson, a founder member and our inaugural Vice President.

Several colleagues have taken up our **Cycle to Work** salary sacrifice offer to help them buy a bicycle and experience greener and healthier travel.

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the report and financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law requires the directors to prepare financial statements for each financial year. The directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (Financial Reporting Standard 102 and applicable law). Under that law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Credit Union and of the income and expenditure of the Credit Union for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Credit Union will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Credit Union's transactions and disclose with reasonable accuracy at any time the financial position of the Credit Union and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014. They are also responsible for safeguarding the assets of the Credit Union and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

Each person who was a director at the time this report was approved confirms that:

- so far as he/she is aware, there is no relevant audit information of which the Credit Union's auditor is unaware; and
- he/she has taken all the steps that he/she ought to have taken as a director in order to make him/herself aware of any relevant audit information and to establish that the Credit Union's auditor is aware of that information.

APPRECIATION

At the end of another year operating successfully in a challenging environment, we have much progress to celebrate. Your Directors would like to thank all our staff, volunteers and partners for their excellent work, and you, our members, for your tremendous loyalty. We can now look forward with confidence to 2024, our 25th anniversary year.

This report was approved by the Board of Directors on 7 November 2023 and signed on its behalf.

A STANKARD President

M STEVENS Chief Executive Officer

Hull and East Yorkshire Credit Union Limited
INDEPENDENT AUDITOR'S REPORT
to the members of Hull and East Yorkshire Credit Union Limited

Opinion

We have audited the financial statements of Hull and East Yorkshire Credit Union Limited for the year ended 30 September 2023 which comprise the Revenue account, Balance Sheet, Statement of Changes in Members' Funds, Statement of Cash Flows and related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the credit union's members, as a body, in accordance with the Credit Unions Act 1979. Our audit work has been undertaken so that we might state to the credit union's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the credit union and the Credit Union and its members as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion the financial statements:

- give a true and fair view of the state of the credit union's affairs as at 30 September 2023 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in with the requirements of the Co-operative and Community Benefit Societies Act 2014 and the Credit Unions Act 1979.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the credit union in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties in relation to events or conditions that, individually or collectively, may cast significant doubt on the credit union's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the report and financial statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Co-operative and Community Benefit Societies Act 2014

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements is prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the credit union and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the following matters in relation to which the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the credit union's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the credit union or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

As part of our planning process:

- We enquired of management the systems and controls the credit union has in place, the areas of the financial statements that are mostly susceptible to the risk of irregularities and fraud, and whether there was any known, suspected or alleged fraud.
- We obtained an understanding of the legal and regulatory frameworks applicable to the credit union and we determined that the following were most relevant: FRS 102, Credit Unions Act 1979, Co-operative and Community Benefit Societies Act 2014, Health and Safety at Work Act, Employment Law, FCA Handbook.
- We considered the incentives and opportunities that exist in the credit union, including the extent of management bias, which present a potential for irregularities and fraud to be perpetrated, and tailored our risk assessment accordingly.
- Using our knowledge of the credit union, together with the discussions held with the credit union at the planning stage, we formed a conclusion on the risk of misstatement due to irregularities, including fraud, and tailored our procedures according to this risk assessment.

The key procedures we undertook to detect irregularities including fraud during the course of the audit included:

- Identifying and testing journal entries and the overall accounting records. In particular, we tested items that were significant and unusual.
- Reviewing the financial statement disclosures and determining whether accounting policies have been appropriately applied.
- Reviewing and challenging the assumptions and judgements used by management in their significant accounting estimates. In particular, we considered impairment of loan debtors and valuation of land and buildings.
- Assessing the extent of compliance, or lack of, with the relevant laws and regulations.
- Testing key revenue lines.
- Performing physical verification of key assets.
- Obtaining third party confirmation of material balances.
- Documenting and verifying all significant related party balances and transactions.
- Reviewing documentation such as the credit union board minutes and correspondence with regulators.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements even though we have properly planned and performed our audit in accordance with auditing standards. The primary responsibility for the prevention and detection of irregularities and fraud rests with the directors.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Mark Jackson BA FCA
(Senior Statutory Auditor)
for and on behalf of
Jacksons
Accountants and Statutory Auditors
7 November 2023

First Floor
Albion House
Albion Street
Hull
HU1 3TE

Hull and East Yorkshire Credit Union Limited

Revenue Account

for the year ended 30 September 2023

| | Notes | 2023 £ | 2022 £ |
|---|-------|------------------|----------------|
| Loan interest receivable and similar income | 4 | 1,294,132 | 1,010,674 |
| Dividends and interest payments | 5 | (135,673) | (86,921) |
| Net interest income | | <u>1,158,459</u> | <u>923,753</u> |
| Administrative expenses | 6 | (1,080,503) | (925,760) |
| Other operating income | 7 | 90,238 | 244,136 |
| Operating surplus before taxation | 8 | <u>168,194</u> | <u>242,129</u> |
| Tax on surplus on ordinary activities | 10 | (51,921) | (20,170) |
| Surplus for the financial year | | <u>116,273</u> | <u>221,959</u> |

Hull and East Yorkshire Credit Union Limited

Balance Sheet

as at 30 September 2023

| | Notes | 2023 £ | 2022 |
|---|-------|-------------------|-------------------|
| Fixed assets | | | |
| Tangible assets | 11 | 579,177 | 575,870 |
| Current assets | | | |
| Debtors | 12 | 6,550,987 | 5,309,590 |
| Cash at bank and in hand | | <u>9,330,388</u> | <u>10,550,578</u> |
| | | 15,881,375 | 15,860,168 |
| Creditors: amounts falling due within one year | 17 | (364,731) | (100,897) |
| Net current assets | | <u>15,516,644</u> | <u>15,759,271</u> |
| Net assets | | <u>16,095,821</u> | <u>16,335,141</u> |
| Financial Liabilities | | | |
| Members' shares | 18 | 13,778,606 | 14,132,070 |
| Junior savings | 19 | 612,916 | 593,545 |
| | | <u>14,391,522</u> | <u>14,725,615</u> |
| <u>Reserves</u> | | | |
| General reserve | | 1,269,628 | 1,213,355 |
| Development reserves | | 150,000 | 140,000 |
| Dividend reserve | | 200,000 | 150,000 |
| Revaluation reserve | | 84,671 | 84,671 |
| | | <u>1,704,299</u> | <u>1,588,026</u> |
| Members' funds | | <u>16,095,821</u> | <u>16,313,641</u> |
| Subordinated Loan | 23 | - | 21,500 |
| | | <u>16,095,821</u> | <u>16,335,141</u> |

Approved by the board on 7 November 2023, and signed on its behalf

A. Stankard, President

J. Hendon, Joint Vice President

T. Craggs, Treasurer

Hull and East Yorkshire Credit Union Limited
Statement of Changes in Members' Funds
for the year ended 30 September 2023

| | General reserve £ | Development reserve £ | Dividend reserve £ | Revaluation Reserve £ | Total £ | Members' shares £ | Junior savings £ | Total £ |
|------------------------------------|-------------------------|-----------------------------|--------------------------|-----------------------------|------------------|-------------------------|------------------------|-------------------|
| At 1 October 2021 | 1,281,396 | - | - | 84,671 | 1,366,067 | 13,460,855 | 589,965 | 15,416,887 |
| Surplus for the financial year | 221,959 | - | - | - | 221,959 | - | - | 221,959 |
| Transfers | (290,000) | 140,000 | 150,000 | - | - | - | - | - |
| Movement during the financial year | - | - | - | - | - | 671,215 | 3,580 | 674,795 |
| At 30 September 2022 | 1,213,355 | 140,000 | 150,000 | 84,671 | 1,588,026 | 14,132,070 | 593,545 | 16,313,641 |
| At 1 October 2022 | 1,213,355 | 140,000 | 150,000 | 84,671 | 1,588,026 | 14,132,070 | 593,545 | 16,313,641 |
| Surplus for the financial year | 116,273 | - | - | - | 116,273 | - | - | 116,273 |
| Transfers | (60,000) | 10,000 | 50,000 | - | - | - | - | - |
| Movement during the financial year | - | - | - | - | - | (353,464) | 19,371 | (334,093) |
| At 30 September 2023 | 1,269,628 | 150,000 | 200,000 | 84,671 | 1,704,299 | 13,778,606 | 612,916 | 16,095,821 |

Hull and East Yorkshire Credit Union Limited
Statement of Cash Flows
for the year ended 30 September 2023

| | 2023 | 2022 |
|--|--------------------|-------------------|
| | £ | £ |
| Operating activities | | |
| Operating (deficit)/surplus | 168,194 | 242,129 |
| Adjustments for: | | |
| Depreciation | 40,565 | 38,763 |
| Impairment losses | 151,000 | 28,000 |
| | <u>359,759</u> | <u>308,892</u> |
| Movements in: | | |
| (Increase)/decrease in debtors | (38,631) | (50,350) |
| (Decrease)/increase in creditors | 232,083 | (48,576) |
| | <u>553,211</u> | <u>209,966</u> |
| Changes in operating assets and liabilities | | |
| Cash inflow from members' deposits | 20,832,695 | 19,739,714 |
| Cash outflow from repaid members' deposits | (21,166,788) | (19,064,919) |
| New loans to members | (5,510,298) | (4,451,824) |
| Repayment of loans by members | 4,156,532 | 3,941,721 |
| | <u>(1,134,648)</u> | <u>374,658</u> |
| Corporation tax paid | (20,170) | (18,783) |
| | <u>(1,154,818)</u> | <u>355,875</u> |
| Cash generated by operating activities | <u>(1,154,818)</u> | <u>355,875</u> |
| Investing activities | | |
| Payments to acquire tangible fixed assets | (43,872) | (31,139) |
| Cash (used in)/generated by investing activities | <u>(43,872)</u> | <u>(31,139)</u> |
| Financing activities | | |
| Repayment of subordinated loan | (21,500) | (6,000) |
| Cash generated by financing activities | <u>(21,500)</u> | <u>(6,000)</u> |
| Net cash generated | | |
| Cash generated by operating activities | (1,154,818) | 355,875 |
| Cash (used in)/generated by investing activities | (43,872) | (31,139) |
| Cash generated by financing activities | (21,500) | (6,000) |
| Net cash generated | <u>(1,220,190)</u> | <u>318,736</u> |
| Cash and cash equivalents at 1 October | <u>10,550,578</u> | <u>10,231,842</u> |
| Cash and cash equivalents at 30 September | <u>9,330,388</u> | <u>10,550,578</u> |
| Cash and cash equivalents comprise: | | |
| Cash at bank | 9,330,388 | 10,550,578 |

Hull and East Yorkshire Credit Union Limited

Notes to the Accounts for the year ended 30 September 2023

1 Legal and regulatory framework

Hull and East Yorkshire Credit Union Limited is an organisation established under the Co-operative and Community Benefit Societies Act 2014, whose principal activity is to operate as a credit union, within the meaning of the Credit Unions Act 1979. Hull and East Yorkshire Credit Union has registered with the Financial Conduct Authority and is regulated by the Prudential Regulation Authority under the provisions of the Financial Services and Markets Act 2000.

2 Summary of significant accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and in compliance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The financial statements are prepared on the historical cost basis. Hull and East Yorkshire Credit Union meets the definition of a public benefit entity under FRS 102.

Going concern

The financial statements are prepared on the going concern basis.

Income

Loan interest receivable and similar income: Interest on both loans to members and cash at banks (ie cash and cash equivalents held on deposit with other financial institutions) is recognised using the effective interest method, and is calculated and accrued on a daily basis.

Fees and commissions receivable: Fees and charges either arise in connection with a specific transaction, or accrue evenly over the year. Income relating to individual transactions is recognised when the transaction is completed.

Other income is recognised when the criteria have been performed that enable the credit union to claim the income concerned.

Tangible fixed assets

IT equipment and software and furniture and equipment are stated at cost, less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Land and buildings are held at revaluation. The buildings are formally revalued every five years and an impairment review is carried out every year to ensure that the net realisable value of the buildings exceeds the book value.

Depreciation is provided to write off the cost of each item of tangible fixed assets, less its estimated residual value, on a straight line basis over its estimated useful life. The categories of tangible fixed assets are depreciated using the straight line method as follows:

| | |
|---------------------------|-------|
| Buildings | 2.0% |
| IT Equipment and Software | 25.0% |
| Furniture and equipment | 15.0% |

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand with the Bank of England and loans and advances to banks (ie cash deposited with banks) with maturity of less than or equal to 12 months.

Financial assets - loans and advances to members

Loans to members are financial assets with fixed or determinable payments, and are not quoted in an active market. Loans are recognised when cash is advanced to members and measured at amortised cost using the effective interest rate method.

Loans are derecognised when the right to receive cash flows from the asset have expired, usually when all amounts outstanding have been repaid by the member.

Impairment of financial assets

Hull and East Yorkshire Credit Union Limited assesses, at each balance sheet date, if there is objective evidence that any of its loans to members are impaired. The loans are assessed collectively in groups that share similar credit risk characteristics, because no loans are individually significant. In addition, if, during the course of the year, there is objective evidence that any individual loan is impaired, a specific loss will be recognised. Any impairment losses are recognised in the revenue account.

Members' deposits

Members' shareholdings in Hull and East Yorkshire Credit Union Limited are redeemable and therefore classified as financial liabilities. They are recognised at the amount of cash deposited.

Creditors

Short term creditors are measured at transaction price (which is usually the invoice price).

Taxation

The tax charge for the year reflects current tax payable. Current tax is the expected Corporation Tax payable for the year, using tax rates in force for the year. Hull and East Yorkshire Credit Union is not liable to Corporation Tax on its activities of making loans to members as these are not classified as a trade. However, Corporation Tax is payable on investment income.

Employee benefits

Short and long term employee benefits are recognised as an expense over the period they are earned.

Reserves

Reserves are the accumulated surpluses to date that have not been declared as dividends returnable to members.

Provisions

Provisions (ie liabilities of uncertain timing or amount) are recognised when there is an obligation at the reporting date as a result of a past event, it is probable that economic benefit will be transferred to settle the obligation and the amount of the obligation can be estimated reliably.

Leased assets

Operating lease payments are recognised as an expense on a straight line basis over the lease term.

Pensions

Contributions to defined contribution plans are charged in the period to which they relate.

3 Critical accounting estimates and judgements

The preparation of financial statements requires the use of certain accounting estimates. It also requires the Directors to exercise judgement in applying Hull and East Yorkshire Credit Union's accounting policies. The areas requiring a higher degree of judgement, or complexity, and areas where assumptions or estimates are most significant to the financial statements, are disclosed below.

Impairment losses on loans to members

Hull and East Yorkshire Credit Union Limited reviews arrears reports to identify impairment losses on loans to members.

| 4 | Loan interest receivable and similar income | 2023 | 2022 |
|---|--|------------------|------------------|
| | | £ | £ |
| | Interest receivable on loans to members | 1,059,656 | 904,514 |
| | Interest on loans to other credit unions | 4,932 | - |
| | Bank interest receivable on cash and liquid deposits | 229,544 | 106,160 |
| | | <u>1,294,132</u> | <u>1,010,674</u> |

Unless otherwise stated the income of the credit union is derived from the area within its common bond.

5 Dividend payable

The dividend is formally proposed by the Directors after the year end and is confirmed at the following AGM. As a result it does not represent a liability at the balance sheet date.

| <i>Dividends and Interest paid during the year</i> | 2023 | 2022 |
|---|----------------|---------------|
| | £ | £ |
| Dividends paid to Members | 129,438 | 82,726 |
| Dividends paid on Junior Savings | 5,431 | 3,844 |
| Interest paid on Subordinated Loan | 804 | 351 |
| | <u>135,673</u> | <u>86,921</u> |

| 6 | Administrative expenses | 2023 | 2022 |
|---|---|------------------|----------------|
| | | £ | £ |
| | Personnel costs | 510,525 | 449,897 |
| | Training and development | 3,172 | 2,941 |
| | Members' Death Benefits Scheme | 9,894 | 1,556 |
| | Printing, stationery, postage and advertising | 66,496 | 44,797 |
| | IT and Communications | 52,306 | 44,757 |
| | Governance, Legal and Regulatory costs | 18,663 | 16,988 |
| | Credit referencing and other costs | 49,269 | 45,563 |
| | Premises and Accommodation | 55,641 | 50,334 |
| | Fidelity and General Insurance | 8,886 | 8,306 |
| | Subscriptions and levies | 12,834 | 11,759 |
| | Depreciation of tangible owned fixed assets | 40,565 | 38,763 |
| | Banking and Finance costs | 21,951 | 19,379 |
| | Internal and External Audit charges | 11,449 | 9,876 |
| | Bad debts - Charged in the year | 218,852 | 180,844 |
| | | <u>1,080,503</u> | <u>925,760</u> |

| 7 | Other operating income | 2023 | 2022 |
|---|--------------------------------|---------------|----------------|
| | | £ | £ |
| | Membership fees | 14,284 | 17,572 |
| | Income from service agreements | 39,836 | 47,596 |
| | Grants and sponsorships | 27,760 | 167,791 |
| | Insurance commission | 624 | 784 |
| | Sundry income | 7,734 | 10,393 |
| | | <u>90,238</u> | <u>244,136</u> |

| | | | | | |
|-----------|--|---------------------------|----------------------------------|--------------------------------|--------------|
| 8 | Operating surplus before taxation | 2023 | 2022 | | |
| | This is stated after charging: | £ | £ | | |
| | Depreciation of owned fixed assets | 40,565 | 38,763 | | |
| | Auditors' remuneration for audit services | 6,780 | 3,600 | | |
| 9 | Staff costs | 2023 | 2022 | | |
| | | £ | £ | | |
| | Wages and salaries | 443,544 | 401,699 | | |
| | National insurance costs | 29,765 | 24,994 | | |
| | Other pension costs | 17,143 | 15,616 | | |
| | Other staff expenses | 20,073 | 7,588 | | |
| | | 510,525 | 449,897 | | |
| | Average number of employees during the year | 2023 | 2022 | | |
| | Administration | 22 | 20 | | |
| 10 | Taxation | 2023 | 2022 | | |
| | Analysis of charge in period | £ | £ | | |
| | Current tax: | | | | |
| | UK Corporation Tax on invested income for the period | 51,921 | 20,170 | | |
| 11 | Tangible fixed assets | | | | |
| | | Land and Buildings | IT Equipment and Software | Furniture and Equipment | Total |
| | | <i>At revaluation</i> | <i>At cost</i> | <i>At cost</i> | |
| | Cost or valuation | £ | £ | £ | £ |
| | At 1 October 2022 | 535,809 | 270,446 | 258,296 | 1,064,551 |
| | Additions | - | 18,627 | 25,245 | 43,872 |
| | Revaluation Deficit | - | - | - | - |
| | At 30 September 2023 | 535,809 | 289,073 | 283,541 | 1,108,423 |
| | Depreciation | | | | |
| | At 1 October 2022 | 64,829 | 233,744 | 190,108 | 488,681 |
| | Charge for the year | 4,512 | 19,734 | 16,319 | 40,565 |
| | At 30 September 2023 | 69,341 | 253,478 | 206,427 | 529,246 |
| | Carrying amount | | | | |
| | At 30 September 2023 | 466,468 | 35,595 | 77,114 | 579,177 |
| | At 30 September 2022 | 470,980 | 36,702 | 68,188 | 575,870 |

The land and buildings were formally valued on 30 September 2020 by Allied Surveyors & Valuers Limited. The valuers are regulated by RICS. The assets were valued on a Market Value basis.

The equivalent historical cost of land and buildings is £381,794 (2022: £386,306).

| | | | |
|-----------|---|------------------|------------------|
| 12 | Debtors | 2023 | 2022 |
| | | £ | £ |
| | Loan debtors | 6,834,271 | 5,480,505 |
| | Impairment losses on groups of loan debtors | (435,000) | (284,000) |
| | Prepayments and accrued income | 151,716 | 113,085 |
| | | <u>6,550,987</u> | <u>5,309,590</u> |
| 13 | Loans and advances to members | 2023 | 2022 |
| | | £ | £ |
| | As at 1 October | 5,480,505 | 4,970,402 |
| | Advanced during the year | 5,510,298 | 4,451,824 |
| | Repaid during the year | (4,156,532) | (3,941,721) |
| | | <u>6,834,271</u> | <u>5,480,505</u> |
| 14 | Credit risk disclosures | | |
| | Hull and East Yorkshire Credit Union Limited does not offer mortgages and all loans are unsecured, except for some restrictions on the extent to which borrowers may withdraw savings while loans are outstanding. The carrying amount of the loans to members represents Hull and East Yorkshire Credit Union's maximum exposure to credit risk. The following table provides information on the credit quality of loan repayments. Where loans are not impaired it is expected that the amounts repayable will be received in full. | | |
| | | 2023 | 2022 |
| | | £ | £ |
| | Not impaired: | | |
| | Neither past due nor impaired | 6,073,040 | 4,891,802 |
| | Up to 3 months past due | <u>227,516</u> | <u>233,597</u> |
| | | 6,300,556 | 5,125,399 |
| | Individually impaired: | | |
| | Between 3 and 6 months past due | 115,873 | 63,154 |
| | Between 6 months and over 1 year past due | <u>417,842</u> | <u>291,952</u> |
| | | 6,834,271 | 5,480,505 |
| | Impairment allowance | <u>(435,000)</u> | <u>(284,000)</u> |
| | | <u>6,399,271</u> | <u>5,196,505</u> |
| 15 | Allowance account for impairment losses | 2023 | 2022 |
| | | £ | £ |
| | As at 1 October | 284,000 | 256,000 |
| | Allowances increased/(reversed) during the year | 151,000 | 28,000 |
| | As at 30 September | <u>435,000</u> | <u>284,000</u> |
| 16 | Impairment losses recognised for the year | 2023 | 2022 |
| | | £ | £ |
| | Impairment of individual financial assets | 67,852 | 152,844 |
| | Increase in impairment allowances in year | 151,000 | 28,000 |
| | | <u>218,852</u> | <u>180,844</u> |
| 17 | Creditors: amounts falling due within one year | 2023 | 2022 |
| | | £ | £ |
| | Corporation tax | 51,921 | 20,170 |
| | Other creditors | 260,309 | 25,629 |
| | Provision for Housing Fund loans | 52,501 | 55,098 |
| | | <u>364,731</u> | <u>100,897</u> |

| 18 | Members' deposits | 2023 | 2022 |
|----|--------------------------|-------------------|-------------------|
| | | £ | £ |
| | As at 1 October | 14,132,070 | 13,460,855 |
| | Received during the year | 20,813,324 | 19,736,134 |
| | Repaid during the year | (21,166,788) | (19,064,919) |
| | As at 30 September | <u>13,778,606</u> | <u>14,132,070</u> |
| 19 | Junior savings | 2023 | 2022 |
| | | £ | £ |
| | As at 1 October | 593,545 | 589,965 |
| | Movement during the year | <u>19,371</u> | <u>3,580</u> |
| | As at 30 September | <u>612,916</u> | <u>593,545</u> |

20 Additional financial instruments disclosures

Financial risk management

Hull and East Yorkshire Credit Union manages its members' deposits and loans to members so that it earns income from the margin between interest receivable and interest payable.

The main financial risks arising from Hull and East Yorkshire Credit Union's activities are credit risk, liquidity risk and interest rate risk. The Board reviews and agrees policies for managing each of these risks, which are summarised below.

Credit risk: Credit risk is the risk that a borrower will default on their contractual obligations relating to repayments to Hull and East Yorkshire Credit Union, resulting in financial loss to Hull and East Yorkshire Credit Union. In order to manage this risk the Board approves Hull and East Yorkshire Credit Union's lending policy, and all changes to it. All loan applications are assessed with reference to the lending policy in force at the time. Subsequently loans are regularly reviewed for any factors that may indicate that the likelihood of repayment has changed.

Liquidity risk: Hull and East Yorkshire Credit Union's policy is to maintain sufficient funds in liquid form at all times to ensure that it can meet its liabilities as they fall due. The objective of Hull and East Yorkshire Credit Union's liquidity policy is to smooth the mismatches between maturing assets and liabilities and to provide a degree of protection against any unexpected developments that may arise.

Market risk: Market risk is generally comprised of interest rate risk, currency risk and other price risk. Hull and East Yorkshire Credit Union conducts all its transactions in sterling and does not deal in derivatives or commodity markets. Therefore Hull and East Yorkshire Credit Union is not exposed to any form of currency risk or other price risk.

Interest rate risk: Hull and East Yorkshire Credit Union's main interest rate risk arises from differences between the interest rate exposures on the receivables and payables that form an integral part of a credit union's operations. Hull and East Yorkshire Credit Union considers rates of interest receivable when deciding on the dividend rate payable on members' deposits. Hull and East Yorkshire Credit Union does not use interest rate options to hedge its own positions.

Liquidity risk disclosures

Excluding short-term other payables, as noted in the balance sheet, Hull and East Yorkshire Credit Union's financial liabilities are mainly repayable on demand.

Fair value of financial instruments

Hull and East Yorkshire Credit Union does not hold any financial instruments at fair value.

| | | |
|--|------------------|-------------------|
| 21 Cash and cash equivalents | 2023 | 2022 |
| | £ | £ |
| Cash and balances with the Bank of England | 97,496 | 81,520 |
| Loans and advances to banks | 9,232,892 | 10,469,058 |
| | <u>9,330,388</u> | <u>10,550,578</u> |
| Less: amounts maturing after three months | (6,907,616) | (8,643,418) |
| | <u>2,422,772</u> | <u>1,907,160</u> |

22 Other financial commitments

Total future minimum lease payments under non-cancellable operating leases:

| Land and buildings | 2023 | 2022 |
|---------------------------|---------------|---------------|
| | £ | £ |
| Falling due: | | |
| within one year | 12,200 | 12,200 |
| within two to five years | 2,333 | 14,533 |
| in over five years | - | - |
| Total | <u>14,533</u> | <u>26,733</u> |

23 Subordinated Loan

On 26 April 2019 Hull and East Yorkshire Credit Union received an evergreen loan from Local Trust (in respect of the Withernsea Big Local Partnership). This loan was subordinate to the interests of all other creditors, including members and junior depositors. The loan was repaid in full on 29 March 2023.

24 Events after the reporting date

There are no material events after the balance sheet date to disclose.

25 Contingent liabilities

Hull and East Yorkshire Credit Union participates in the Financial Services Compensation Scheme (FSCS) and therefore has a contingent liability, which cannot be quantified, in respect of contributions to the FSCS, as required by the Financial Services and Markets Act 2000.

26 Related party transactions

During the year, 19 members of the Board, employees and their close family members (2022: 12 members) had loans with Hull and East Yorkshire Credit Union. These loans were approved on the same basis as loans to other members of Hull and East Yorkshire Credit Union. All loans to directors, employees and their close family were in accordance with the Rules and agreed policy.

27 Presentation currency

The financial statements are presented in Sterling.

28 Legal form of entity and country of incorporation

Hull and East Yorkshire Credit Union Limited is a Co-operative and Community Benefit Society authorised by the Prudential Regulation Authority (FRN 213620).

29 Principal place of business

The address of the principal place of business and registered office is:

38 Brook Street
Kingston upon Hull
HU2 8LA

