



**Hull and East Yorkshire
Credit Union Limited**

Annual Report and Financial Statements 30 September 2020

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

Allan Davidson

Joanne Foster

Altynay Guney

Alan Hignett

John Lawrence

Bill Meadows

Susan Nicholson

Kate Pike

Andrew Stankard

Jane Walton

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 2020

Fellow Members,

We have pleasure in submitting our Report and the Audited Accounts of the Credit Union for the period ended 30 September 2020.

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.

DIRECTORS AND OFFICERS

Directors:	Office held	Possible attendance	Actual attendance	Committees served	Notes
John Bailey		2	2		<i>Retired Dec 2019</i>
Chloe Birr-Pixton	Assistant Secretary	7	6		<i>Elected Dec 2019</i>
Tony Craggs	Treasurer	11	11	AR	
Allan Davidson	Assistant Treasurer	9	8	AR	
Joanne Foster		9	1	SP	<i>family illness</i>
Altynay Guney		9	4	PT	
Alan Hignett	Vice President	11	11	PT SP	
John Lawrence		9	8	SP	
Bill Meadows	Vice President	11	10	PT	
Susan Nicholson		9	8	AR SP	
Kate Pike	Secretary	11	10	AR PT	
Andrew Stankard	President	11	7	SP	
Jane Walton		9	4		

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

John Bailey retired from the Board at the AGM 2019 and Chloe Birr-Pixton was elected for the first time. John had been a director since the Credit Union was founded and his service was recognised with a presentation at the meeting. Alan Hignett and Bill Meadows were elected to share the role of Vice President for this year.

Director Training and Development

A **Pre-Board Training session** took place, in January, on *Business Development* and directors each have individual **Director Training Plans** to match the training to their roles and experience. This year several have participated in the fortnightly **All Member Webinars** provided by ABCUL on a wide range of topics.

Board Committees

Your Board has two standing Committees which oversee key areas of activity, working to agreed terms of reference and reporting to the Board regularly:

Audit & Risk Committee

Three meetings were held. The findings of our internal auditors, TIAA, and management's responses were carefully reviewed. This year's audit plan covered cash handling, payments, complaints governance, marketing, savings products, bad debts and arrears management, business continuity and loan compliance.

At each meeting the key risks and the investment portfolio were monitored. Particular attention was paid to credit risk and operational resilience in light of the pandemic, also the potential impact of the Bank of England's interest rate reduction from 0.75% to an historic low of 0.01%. Loan products were ranked in order of delinquency and a risk assessment was created before reopening branches after the 'lockdown'.

Personnel & Training Committee

The Committee met four times. Topics considered this year included staff wellbeing benefits, monitoring of annual leave, our response as an employer to Coronavirus and a review of pay levels. We had three staff furloughed for several months, introduced home working and temporarily reduced hours for others and

minimised staff travel, but normal pay levels were maintained. An extra holiday was introduced for staff serving on our Employees' Council or as First Aiders. After a careful cost-benefit analysis, we decided not to renew our Investors in People accreditation when it expired in March.

GOVERNANCE

- At our **20th Anniversary AGM** in December we welcomed as speakers Karen Bennett, President of the Association of British Credit Unions, and Councillor Daren Hale, Deputy Leader of Hull City Council, who congratulated members on the tremendous impact made on the financial wellbeing of the community.
- In October 2019 we took part in an **ABCUL Town Hall consultation** which fed into *Vision 2025*, setting out a shared strategy for the development of the credit union sector in the years ahead.
- Since May your Board has been holding its regular monthly meetings virtually by **video/tele-conference** using Go To Meeting technology, instead of face to face in our Board Room. Committee meetings are also held in this way. The adoption of modern technology has proved successful, saving the time and cost involved in directors' travelling to Central Office, and it is hoped that this will make it possible for more members, wherever they live across our common bond, to consider becoming a Credit Union Director.
- In view of the social distancing measures, it was decided not to hold a Strategic Planning Day this year. Instead a series of virtual **Strategic Planning sessions** were held during July to review our Business Plan and explore opportunities to develop new products and services that would benefit our members.
- The new **Succession Planning Committee** met twice early in the year to consider its terms of reference and next steps. It was agreed to add director succession to the Committee's remit, alongside planning for seamless managerial and leadership succession. Unfortunately the 'lockdown' slowed progress but the work will resume in the autumn of 2020.
- Our **Member Satisfaction Survey 2020**, emailed to over 7,000 members in August, did not receive the level of response of past years, probably due to timing and other priorities. However, those who did provide feedback (7.6% of emails opened) were no less enthusiastic. We sought views on ease of contact, preferred channels, new member welcome, reasons for saving and the impact of Covid-19, also consulted on a new product idea and dividend expectations. 97.8% of those responding were satisfied with their experience of HEYCU, while 98.9% were likely to recommend us to others they know. 77.5% thought it important that we have a branch presence in various parts of our region. Our ethical values, friendly approach and the support given to vulnerable people were features members especially applaud.

REVIEW OF THE YEAR

Membership

	Total as at 30.9.19	New accounts	Closures	Total as at 30.9.20	% change
Adult Members	13,772	993	1,324	13,441	-2.4%
Junior Savers	1,455	90	123	1,422	-2.3%

Savings, Loans and Assets

	2020	2019	% change
Adult Members' Savings deposits	£11,931,630	£10,508,180	+13.5%
Junior Savings deposits	£566,866	£487,911	+16.2%
Average deposits per Adult Member	£888	£763	+16.4%
Average deposits per Junior Saver	£399	£335	+19.1%
Total Members' Loans	£4,425,437	£4,808,652	-7.9%
Average loan per borrowing Member	£1,514	£1,493	+1.4%
Total Assets	£13,945,074	£12,379,309	+12.7%

Financial Results

After an excellent Christmas 2019, when our Loan Book reached a record £5.3 million, the economic downturn caused by the pandemic afforded little opportunity for further growth, with demand for larger loans for holidays, home improvements and non-essential items especially weak. By contrast, members' Savings showed strong growth, up 14% by year-end. With total income up by 8% (including grants received) and expenditure by 7%, we achieved a Surplus (after Tax and Dividend) of £72,473 (up by 22%) in line with our original budget.

We made further investment in technology, to enhance the member experience, at a cost of £33,000. A property valuation resulted in a small reduction in the Revaluation Surplus. However, our Balance Sheet remains strong, with Capital Reserves well in excess of the regulatory minimum.

Key Ratios

Indicator of:	Indicator	2020	2019	Target
Effective financial structure	Capital to Total Assets	9.3%	10.0%	>10%
	Borrowings to Total Assets	0%	0%	0%
	Total Shares to Total Assets	85.5%	84.9%	70-90%
	Net Loans to Total Assets	29.9%	36.8%	>40%
Protection	Bad Debt Written Off to Total Loans	5.1%	1.9%	<10%
	Net Assets to Total Shares and Junior Deposits	105.9%	106.7%	>105%
Asset quality	Arrears (over 3 mths) to Total Loans	4.5%	4.0%	<20%
	Non-earning Assets to Total Assets	10.6%	12.7%	<10%
Returns	Loan income to Average Total Loans	15.9%	15.7%	>6%
Efficiency	Administrative Expenses to Total Assets	6.0%	6.3%	<8%
	Members and Juniors served per FTE Staff	954	934	>1,000

Our response to Coronavirus

- Your Board, managers and staff have worked hard to maintain the service to members since the Coronavirus outbreak. The safety and wellbeing of all our people was at the centre of our planning. Credit union staff were regarded as providers of an essential service.
- When branches were closed from 6 April to 15 June, we took swift action to ensure that our most vulnerable members still had a ready source of cash, supporting them with Engage VISA cards.
- Members with loans whose incomes were depleted by Covid-19 were able to apply for a payment break of up to 3 months and over 80 were granted, to help see them through difficult times.
- The impact on our business has been severe, with reduced demand for larger loans, several volunteers self-isolating, school banks closed and face-to-face member recruitment at a standstill. However, we appreciated the grant support from Fair4All Finance's Covid Resilience Fund, our local authorities and the Government's furlough scheme. We invested in equipment to allow some staff to work from home, kept members updated with E-News and started taking loan applications over the telephone.
- Before reopening branches (with more limited hours) we provided extra screens at the counters, hygiene supplies, signage and floor spacers to comply with Government guidelines.

Service improvements and developments

- Over 4,200 members have now registered to use our **Web App**, many of whom use it regularly to view their accounts, transfer funds and send enquiries. It can be used on any device – tablet, desktop, laptop or mobile; you can even use it to apply for a Credit Union Loan.
- With the App well established, in July we switched off the old website **Member Area**, which was now obsolete. Community Account holders can now view, but not transact on, the Web App instead.
- In the summer we introduced a new streamlined **loan administration system** called LACE. The whole process of lending, from initial application to disbursement of funds, is now simpler, quicker and more efficient for the member and our team, while eliminating paper records. Other features include automated postcode look-up and IDV, improved credit referencing and secure electronic signatures. On our website the more user-friendly online loan form gives better feedback on the progress of an application. LACE will be a major asset as we strive to grow our loan book and serve more borrowers in the coming years.
- We relaunched our **Beverley Branch** at the Cherry Tree Centre, with new external signage and opening times increased to five days a week. Advertising flyers were distributed in the area and the £25 Stop Loan Sharks bonus offer made available to members in the area.
- We were delighted to open a new **Local Members' Group**, for our Withernsea members on 3rd May. 15 members, including the Town's Mayor, attended the inaugural meeting, enjoying a *Know your credit union* quiz, presentations and discussions as well as superb refreshments provided by The Shores.
- In September the first of our 219 **Child Trust Funds** matured, as the holders turned 18. We are proud to have helped young people in our region to start adult life with some savings to support their ambitions.

Partnerships and Community activity

We work with many partners to promote financial wellbeing across our common bond:

- In October we joined 21 other credit unions at the Houses of Parliament to celebrate the 10th anniversary of the **Fairbanking Foundation**. We continue to hold a 5-star Fairbanking Mark for lending practices.
- We were proud to be a sponsor of **Hull City Council's** Celebration Event at the KCom Stadium recognising the amazing work of the city's foster carers, with gift vouchers, goody bags and information.
- Our work with the **Stop Loan Sharks** Team continued, with 208 members and juniors receiving bonuses for saving regularly with us, including many young people attending Street Games activities at Astra and Andrew Marvell Youth Centres.
- On 24 June we became the latest organisation to sign the **Armed Forces Covenant**, a pledge by the nation to ensure that members of the armed forces and veterans community are treated with respect and can access services such as fair and inclusive financial services. We hope to work with the proposed Veterans' Village in Hull to support a credit union contact point for residents to use.
- We were delighted to hand over £1,331 to our 2019 **Charity of the Year**, Yorkshire Air Ambulance, after many of our staff, volunteers and members had taken part in a range of fund raising activities. Goole colleagues again worked hard to support the town's **Christmas Toy Appeal**, bringing festive cheer to lots of needy families. They also gave support to the people of Snaith and Cowick who were affected by floods early in 2020. John, our Chief Executive, raised £230 for **Cancer Research UK** by completing a 10,000 steps a day challenge throughout March.

Raising awareness

- It was a challenging year for progressing our **marketing strategy**, with most worksites closed to visitors and outdoor events cancelled. Before 'lockdown' in March we attended **workplace wellbeing** events at the DWP (Tyneview Park, Stockton on Tees, Washington, Bradford and Keighley), North East Lincolnshire Council (Grimsby) and a new payroll partner – ResQ in Hull. We appreciate the work of our Workplace CU Champions who support these events and help to spread the word to their colleagues.
- On **International Credit Union Day 2019**, the Mayor of Goole (Councillor Josie Head) officially opened our new Goole branch in the presence of directors, staff, members and local community representatives.
- We continued with a seasonal **promotional strategy**, featuring a Refer a Friend for Christmas campaign, New Year Money Goals (our prize draw attracted 504 entries) and a Summer Loan Deal with up to 15% off interest rates. In April, we launched a Key Worker Loan with a preferential 1% per month to provide practical support for those working hard to keep our essential services running under difficult conditions. Our website featured timely tips and advice on financial wellbeing topics.
- We have again made good use of **E-News** to keep members well informed about products, services and offers. In March we opened an account on **Trust Pilot**, the popular consumer review site, and are thrilled that over 60 members have already kindly awarded us 5 stars.
- Ten years after it was launched, our **Facebook** page passed the 2,000 Likes milestone. Our **LinkedIn** following exceeded 300 and we opened an **Instagram** site. Facebook groups were set up to support our Member Groups at Goole and Driffield, providing a more localised voice within our overall brand. **John's Blog** supplies more in-depth news for our most active supporters.
- A **director recruitment** campaign, on social media and website, produced four enquiries and two candidates for election at the 2019 AGM.
- A range of **promotional gifts** – cloth shopping bags, sports water bottles and pens – featuring our *Credit Union Town* logo, was obtained to support our Withernsea Big Local Partnership project.
- In September we recorded a **podcast** for East Riding of Yorkshire Council to issue to their staff extolling the benefits of Payroll Save & Borrow.

Our People

- Sarah (Goole branch) joined our 22-strong **staff team** and we congratulated Tracey (Scunthorpe branch) on becoming the latest colleague to complete ten years' service. Jim Sharp, a founder of the former Beverley Credit Union, retired as a regular **volunteer**. We were sorry to learn of the death of Judy Douglas, one of our Driffield volunteers.
- Our **Employees' Council** met on two occasions to discuss consultations on policy changes from the Board and make helpful suggestions to improve ways of working.

- Two colleagues are members of the **ABCUL Young Professionals Network** and we donated a further £500 to the **CU Futures Programme**, to support the next generation of credit union leaders.

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

Your Directors would like to thank all our staff, volunteers and partners for the outstanding work they have done to look after members and provide the highest possible level of service during these difficult times. Although the past year has been one of the most challenging in our 21-year history, we are determined to keep moving forward and proving worthy of your continued loyalty and support.

This report was approved by the Board of Directors on 3 November 2020 and signed on its behalf.

A STANKARD President

J E SMITH *Acis* Chief Executive

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 2020 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 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 2020 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 accordance 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the credit union's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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 statement and 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
- failure to obtain all the information and explanations which, to the best of our knowledge and belief, are necessary for the purpose of the audit; 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.

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
3 November 2020

First Floor
Albion House
Albion Street
Hull
HU1 3TE

Hull and East Yorkshire Credit Union Limited

Revenue Account

for the year ended 30 September 2020

	Notes	2020 £	2019 £
Loan interest receivable and similar income	4	821,178	804,937
Dividends payable	5	(98,427)	(94,467)
Net interest income		<u>722,751</u>	<u>710,470</u>
Administrative expenses	6	(842,477)	(782,096)
Other operating income	7	209,193	149,509
Operating surplus before taxation	8	<u>89,467</u>	<u>77,883</u>
Tax on surplus on ordinary activities	10	(16,994)	(18,557)
Surplus for the financial year		<u>72,473</u>	<u>59,326</u>

Hull and East Yorkshire Credit Union Limited

Balance Sheet

as at 30 September 2020

	Notes		2020 £	2019
Fixed assets				
Tangible assets	11		611,705	597,765
Current assets				
Debtors	12	4,344,303	4,595,229	
Cash at bank and in hand		<u>8,989,066</u>	<u>7,186,315</u>	
		13,333,369	11,781,544	
Creditors: amounts falling due within one year	17	(145,533)	(151,721)	
Net current assets			<u>13,187,836</u>	<u>11,629,823</u>
Net assets			<u>13,799,541</u>	<u>12,227,588</u>
Financial Liabilities				
Members' shares	18		11,931,630	10,508,180
Junior savings	19		566,866	487,911
			<u>12,498,496</u>	<u>10,996,091</u>
<u>Reserves</u>				
General reserve		1,186,374	1,113,901	
Revaluation reserve		84,671	87,596	
			<u>1,271,045</u>	<u>1,201,497</u>
Members' funds			<u>13,769,541</u>	<u>12,197,588</u>
Subordinated Loan	22		30,000	30,000
			<u>13,799,541</u>	<u>12,227,588</u>

Approved by the board on 3 November 2020, and signed on its behalf

A. Stankard, President

A. Hignett, Vice President

T. Craggs, Treasurer

Hull and East Yorkshire Credit Union Limited
Statement of Changes in Members' Funds
for the year ended 30 September 2020

	Revenue reserve	General reserve	Revaluation reserve	Total	Members' shares	Junior savings	Total
	£	£	£	£	£	£	£
At 1 October 2018	-	1,054,575	87,596	1,142,171	10,082,995	457,280	11,682,446
Surplus for the financial year	59,326	-	-	59,326	-	-	59,326
Transfers	(59,326)	59,326	-	-	-	-	-
Movement during the financial year	-	-	-	-	425,185	30,631	455,816
At 30 September 2019	-	1,113,901	87,596	1,201,497	10,508,180	487,911	12,197,588
At 1 October 2019	-	1,113,901	87,596	1,201,497	10,508,180	487,911	12,197,588
Surplus for the financial year	72,473	-	-	72,473	-	-	72,473
Transfers	(72,473)	72,473	-	-	-	-	-
Movement during the financial year	-	-	(2,925)	(2,925)	1,423,450	78,955	1,499,480
At 30 September 2020	-	1,186,374	84,671	1,271,045	11,931,630	566,866	13,769,541

Hull and East Yorkshire Credit Union Limited
Statement of Cash Flows
for the year ended 30 September 2020

	2020	2019
	£	£
Operating activities		
Operating (deficit)/surplus	89,467	77,883
Adjustments for:		
Depreciation	32,000	24,334
Impairment losses	4,000	132,000
	<u>125,467</u>	<u>234,217</u>
Movements in:		
(Increase)/decrease in debtors	(136,289)	104,681
(Decrease)/increase in creditors	(4,625)	2,902
	<u>(15,447)</u>	<u>341,800</u>
Changes in operating assets and liabilities		
Cash inflow from members' deposits	17,710,213	17,902,195
Cash outflow from repaid members' deposits	(16,207,808)	(17,446,379)
New loans to members	(2,941,897)	(3,733,574)
Repayment of loans by members	3,325,112	3,129,687
	<u>1,870,173</u>	<u>193,729</u>
Corporation tax paid	(18,557)	(19,012)
	<u>1,851,616</u>	<u>174,717</u>
Investing activities		
Payments to acquire tangible fixed assets	(48,865)	(69,961)
Cash (used in)/generated by investing activities	<u>(48,865)</u>	<u>(69,961)</u>
Financing activities		
Proceeds from the issue of subordinated loan	-	30,000
Cash generated by financing activities	<u>-</u>	<u>30,000</u>
Net cash generated		
Cash generated by operating activities	1,851,616	174,717
Cash (used in)/generated by investing activities	(48,865)	(69,961)
Cash generated by financing activities	-	30,000
	<u>1,802,751</u>	<u>134,756</u>
Net cash generated	1,802,751	134,756
Cash and cash equivalents at 1 October	<u>7,186,315</u>	<u>7,051,559</u>
Cash and cash equivalents at 30 September	<u>8,989,066</u>	<u>7,186,315</u>
Cash and cash equivalents comprise:		
Cash at bank	8,989,066	7,186,315

Notes to the Accounts for the year ended 30 September 2020

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 accordance 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.

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

Tangible fixed assets comprise land and buildings, IT equipment and software and furniture and equipment, which 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.

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	2020	2019
		£	£
	Interest receivable on loans to members	731,732	701,393
	Interest on loans to other credit unions	-	5,874
	Bank interest receivable on cash and liquid deposits	89,446	97,670
		<hr/>	<hr/>
		821,178	804,937

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.

	2020	2019
	£	£
<i>Dividends and Interest paid during the year</i>		
Dividends paid to Members	93,315	90,197
Dividends paid on Junior Savings	4,587	4,270
Interest paid on Subordinated Loan	525	-
	<hr/>	<hr/>
	98,427	94,467

6	Administrative expenses	2020	2019
		£	£
	Personnel costs	403,808	391,317
	Training and development	4,558	4,478
	Members' Death Benefits Scheme	3,479	3,479
	Printing, stationery, postage and advertising	32,785	31,626
	IT and Communications	44,420	39,005
	Governance, Legal and Regulatory costs	7,887	6,054
	Other expenses	18,648	24,106
	Premises and Accommodation	39,055	39,841
	Fidelity and General Insurance	6,901	8,346
	Subscriptions and levies	10,895	11,510
	Depreciation of tangible owned fixed assets	32,000	24,334
	Banking and Finance costs	14,278	13,055
	Audit charges	8,850	8,653
	Bad debts - Charged in the year	214,913	176,292
		<hr/>	<hr/>
		842,477	782,096

7	Other operating income	2020	2019
		£	£
	Membership fees	12,264	11,904
	Income from service agreements	59,996	52,904
	Grants and sponsorships	132,750	75,885
	Insurance commission	698	1,033
	Sundry income	3,485	7,783
		<hr/>	<hr/>
		209,193	149,509

8	Operating surplus before taxation		2020	2019
	This is stated after charging:		£	£
	Depreciation of owned fixed assets		32,000	24,334
	Auditors' remuneration for audit services		3,600	3,600
			<hr/>	<hr/>
9	Staff costs		2020	2019
			£	£
	Wages and salaries		359,843	351,642
	National insurance costs		24,140	17,401
	Other pension costs		15,181	17,162
	Other staff expenses		4,644	5,112
			<hr/>	<hr/>
			403,808	391,317
			<hr/>	<hr/>
	Average number of employees during the year		Number	Number
	Administration		22	22
			<hr/>	<hr/>
10	Taxation		2020	2019
	Analysis of charge in period		£	£
	Current tax:			
	UK Corporation Tax on invested income for the period		16,994	18,557
			<hr/>	<hr/>
11	Tangible fixed assets			
		Land and Buildings	IT Equipment and Software	Furniture and Equipment
		<i>At cost</i>	<i>At cost</i>	<i>At cost</i>
	Cost or valuation	£	£	£
	At 1 October 2019	538,734	217,097	220,988
	Additions	-	33,099	15,766
	Revaluation Deficit	(2,925)	-	-
	At 30 September 2020	<hr/>	<hr/>	<hr/>
		535,809	250,196	236,754
		<hr/>	<hr/>	<hr/>
	Depreciation			
	At 1 October 2019	50,890	175,961	152,203
	Charge for the year	4,916	15,404	11,680
	At 30 September 2020	<hr/>	<hr/>	<hr/>
		55,806	191,365	163,883
		<hr/>	<hr/>	<hr/>
	Carrying amount			
	At 30 September 2020	480,003	58,831	72,871
	At 30 September 2019	<hr/>	<hr/>	<hr/>
		487,844	41,136	68,785
		<hr/>	<hr/>	<hr/>
12	Debtors		2020	2019
			£	£
	Loan debtors		4,425,437	4,808,652
	Impairment losses on groups of loan debtors		(256,000)	(252,000)
	Prepayments and accrued income		174,866	38,577
			<hr/>	<hr/>
			4,344,303	4,595,229
			<hr/>	<hr/>
13	Loans and advances to members		2020	2019
			£	£
	As at 1 October		4,808,652	4,204,765
	Advanced during the year		2,941,897	3,733,574
	Repaid during the year		(3,325,112)	(3,129,687)
			<hr/>	<hr/>
			4,425,437	4,808,652
			<hr/>	<hr/>

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.

	2020	2019
	£	£
Not impaired:		
Neither past due nor impaired	3,862,569	4,259,969
Up to 3 months past due	<u>199,065</u>	<u>195,857</u>
	4,061,634	4,455,826
Individually impaired:		
Between 3 and 6 months past due	88,482	62,515
Between 6 months and over 1 year past due	<u>275,321</u>	<u>290,311</u>
	4,425,437	4,808,652
Impairment allowance	<u>(256,000)</u>	<u>(252,000)</u>
	<u>4,169,437</u>	<u>4,556,652</u>
15 Allowance account for impairment losses	2020	2019
	£	£
As at 1 October	252,000	120,000
Allowances increased/(reversed) during the year	<u>4,000</u>	<u>132,000</u>
As at 30 September	<u>256,000</u>	<u>252,000</u>
16 Impairment losses recognised for the year	2020	2019
	£	£
Impairment of individual financial assets	210,913	44,292
Increase in impairment allowances during the year	<u>4,000</u>	<u>132,000</u>
	<u>214,913</u>	<u>176,292</u>
17 Creditors: amounts falling due within one year	2020	2019
	£	£
Corporation tax	16,994	18,557
Other creditors	19,543	21,087
Provision for Housing loans	<u>108,996</u>	<u>112,077</u>
	<u>145,533</u>	<u>151,721</u>
18 Members' deposits	2020	2019
	£	£
As at 1 October	10,508,180	10,082,995
Received during the year	17,631,258	17,871,564
Repaid during the year	<u>(16,207,808)</u>	<u>(17,446,379)</u>
As at 30 September	<u>11,931,630</u>	<u>10,508,180</u>
19 Junior savings	2020	2019
	£	£
As at 1 October	487,911	457,280
Movement during the year	<u>78,955</u>	<u>30,631</u>
As at 30 September	<u>566,866</u>	<u>487,911</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

	2020	2019
	£	£
Cash and balances with the Bank of England	134,284	122,502
Loans and advances to banks	8,854,782	7,063,813
	8,989,066	7,186,315
Less: amounts maturing after three months	(5,169,551)	(3,444,909)
	<u>3,819,515</u>	<u>3,741,406</u>

22 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 is subordinate to the interests of all other creditors, including members and junior depositors. It is for an initial 7-year period, extendable at the

discretion of Local Trust, and interest is payable at the higher rate of (a) 0.75% or (b) 0.75% above the current members' dividend rate.

23 Events after the reporting date

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

24 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.

25 Related party transactions

During the year, 13 members of the Board, employees and their close family members (2019: 15 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. None of the directors, employees or their close family members, have preferential terms on their loans.

26 Presentation currency

The financial statements are presented in Sterling.

27 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).

28 Principal place of business

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

38 Brook Street
Kingston upon Hull
HU2 8LA

