



Caledonian Credit Union Ltd.

Treasurers Report for Financial Year End 30th September 2023

Before beginning, for those members attending in person, you will have received a pack with abbreviated accounts and reports as you enter. For those who are attending via Zoom, we uploaded the pack to the member's area on Wednesday and a further email reminder of the meeting was issued detailing this. If, however, you were unable to view or obtain a copy, please contact the office and we can send a pack out to you.

The financial year, up to the end of September 2023, showed another big improvement in performance as the year progressed. After a strong Christmas period (October 22 to December 22), lending levels continued in an upward trend throughout the rest of the year to September 2023. For the year, lending was up 19% on the previous year's levels and almost now level with the pre covid period. Loan income increased substantially from last year by a whopping 23% compared to a decrease in income last year of 6%. Loan income alone was £186,057 which is the highest income received by the credit union ever in its 25 year history. As term deposit rates rose in line with Bank of England base rates, our return on investments rose by a staggering 340% from £19,957 last year to £68,263 to September 2023. Total income, therefore, from lending and investments in the year was £254,320 against £170,804 in the previous financial year – a rise of 49%. Expenditure increased in the year from £170,417 to £185,518 – a rise of 9%. primarily down administrative expenses including employment costs and increased corporation tax.

The Credit Union is once again pleased to announce another profitable year with a pre-tax surplus in the year of £75,290. Although impairment losses rose in the year to £25,328, this was more than offset by higher income and against a higher loan book of £1.45m at year end. Concern over increased personal insolvency resulted in a write-off total of £13,370 coupled with increased provision of £13,526 accounted for the increase in impairment costs. Overall, as indicated above, although expenditure and bad debt provision increased in the year, this was more than offset by very impressive income figures, helped in part by increased term deposit rates, resulting in strong growth in the financial year.

MEMBERSHIP

Our Board are still very concerned by cost of living issues with continued high energy costs and food inflation. The resulting effect is increased personal insolvency for some and non payment of loans for those on lower incomes and benefits, where we are seeing the greatest increase in hardship. As with previous years, the Board will rightly maintain a tight control over lending and credit control due to the above fears. The Board will continue to take robust action, where necessary, to ensure the sustainability of the credit union.

Every year, we mention trust deeds and sequestrations. For some it is a necessity and we have to factor that into our costs. However, we are more and more seeing the problems that people face with some unscrupulous practices from Insolvency Practitioners – powerful advertising and exorbitant costs. As a credit union, we will continue to advocate for stricter controls on this industry by lobbying both the UK and Scottish Governments.

The capital to asset ratio has increased steadily throughout the year from 8.51% last year to 10.53% which helps secure and maintain a robust and financially strong credit union.



Under FRS102 rules, besides our general reserve increasing to £270,272, we have again allocated two specific reserves: Bereavement Benefit Grant Scheme with £71,664 and Development Fund of £25,500. This gives a grand total of £367,436 in reserves with a resulting surplus after tax of £61,628.

Savings have as expected continued to decline slightly (5%) again same as last year. It is becoming increasingly apparent that many members are withdrawing savings just to survive due to cost of living increases and especially to cover higher gas and electricity charges. Very few members who have large balances have shown an appetite to withdraw funds to chase higher savings rates. As such, our share to loan ratio has risen to over 51% compared to 40 % last year.

The Board have worked hard on the liquidity ratio in order to be able to invest more in term deposits to earn more marginal income rates. We are required by the regulators to hold liquidity of at least 10% of assets. However, as loan activity increased and much of our assets were held in 12 month term deposits, the liquidity level came very close to 10%. The Board made a decision, therefore, to amend policy and ensure liquidity would not fall below 15% to allow a buffer zone in case of any issues. The Board still endeavour to set as much as possible to term deposits to maximise income. Investment rates have now peaked as base rates start to fall once more. However, we did manage to attain rates of 5.75% on some of our investments for a 12 month period.

As with lending, our active membership has increased over the course of the year by as much as 190%, admittedly from a fairly low base, whilst the number of members now holding a loan stands at 740 at the financial year end. Caledonian Credit Union continues to close dormant accounts with values under £5 which is the minimum amount that can be held to remain a member under the credit union rulebook.

Finally, our trading surplus for the year, as indicated earlier was £61,628 up from £18,504 in September 2022. Therefore, in light of the current climate and strong performance and growth in the year, the Board have advised that a dividend of up to 0.5% can be offered to members this year. The total cost of this which would be deducted in the financial accounts for year 2023-2024, if approved by the membership, would be approximately £15,000. Therefore, the surplus for the year end 30th September 2023 has been allocated as follows:

General Reserve Fund	£56,541
Bereavement Benefit Scheme	£ 5,087
Development Fund	£ 0

The Board present these accounts for your perusal.

Ross Campbell (Treasurer)