# Treasurer's Report 2020

## Introduction

Last year was, to use a cliché, a year of two halves. While the first half of the year was business as usual, the second half of the year was heavily impacted by the pandemic resulting in lower levels of new lending and operational challenges of keeping the business open, maintain member services, and transition the employees to work from home. These were overcome with leadership and focus by the management team and fortitude by the employees. As a result, and against all odds, the business produced a financial surplus 36% higher than the previous year and marginally higher than the budget set by the Board.

The next financial year will be more testing due to the substantially lower loan book, risks arising from the continuing and unpredictable impact of the pandemic and anticipated continued current low-interest regime across the Western World. Additionally, our departure from the EU may have consequences that cannot be foreseen. Our task will be to ensure we continue to respond positively to these risks, meet our members' changing needs, and maintain excellent service.

## Regulatory Requirements

Credit unions are regulated by the Financial Conduct Authority (FCA) and by the Prudential Regulation Authority (PRA). The PRA is a part of the Bank of England and sets standards and monitors our compliance against them via the regular returns we are obliged to make. Additionally, they conduct an annual review of Plane Saver and assess risks to our continued financial stability.

Once again, I am glad to report that throughout the year, Plane Saver remained well within the PRA requirements for Capital Reserves, Solvency, and Cash Liquidity ensuring the security of member savings.

## Member Savings & Loan Book

We remain relevant to our members who continue to entrust us with their savings. Net savings during the year increased by £1.1M from £39.4M to £40.5M.

In common with other Credit Unions, the pandemic had a marked impact on members seeking new loans. Thus, the level of approved new loans dropped from £12.9M last year to £7.0M this year. Against this, member repayment of existing loans rose from £9.8M last year to £11.3M (both excluding interest). This combination of lower new loans and higher repayments resulted in a significant reduction in our gross loan book from £24.0M to £19.7M.

The average rate of interest charged on the total Loan Book rose by 0.7% from 9.2% in 2019 to 9.9% in 2020 arresting the decline of the past two years. Despite this increase, our rates remain highly competitive and lower than many Credit Unions.

## Financial Performance

Income from interest on loans and cash held at banks rose by a modest 1% to £2,268,942, an increase of £23,520. The lower interest income from member loans was compensated by higher income from cash deposits.
Administration and Operating costs were lower by £124,263 compared to the previous year, resulting from the delayed recruitment and replacement of some roles, lower spend on marketing activities and lower AGM and annual conference costs.

However, impairment provision during the year was £470,076 against £369,433 last year reflecting the increased risk of potential default during these difficult economic times. We will continue to work closely and sympathetically with members who are in financial difficulty due to being furloughed or redundant. Total impairment provision for potential default on loan repayment rose from 4.4% to 6.1% of the average loan book but remains within the Regulator's tolerance levels.

Despite the headwinds described above, we achieved an after-tax Surplus for the year £139,752, an increase of £37,208 or 36% on last year.

## Balance Sheet

Our Balance Sheet remains strong with Assets growing by 2.7% to £46.8M. Member subscriptions amount to £40.5M as follows:

| | 2020 | 2019 |
|---|---|---|
| **Ordinary Shares** | £30,831,911 | £29,718,066 |
| **ISA Accounts** | £6,087,960 | £6,330,550 |
| **Platinum Accounts** | £3,480,507 | £3,792,165 |
| **Children's Savings** | £68,068 | £56,614 |
| **TOTAL** | £40,468,446 | £39,897,395 |

Our Reserves stand at a very healthy £6,166,254.

## Risks

The pandemic has resulted in increased risks for the Credit Union and it would be remiss not to acknowledge this. The key risk is the reduction of our loan book and the need to rebuild this.

We have a new Business Plan, shared with the PRA, that focuses on this and the need to invest in our people and systems. Like most businesses in the UK, it will take time before we revert to pre-COVID-19 levels but with a capable management team and our strong financial position, I believe we will come through.

Member deposits are, of course, fully protected under the Financial Services Compensation Scheme up to £85,000, subject to Scheme rules.

## Conclusion

Whilst the Board is cognisant of the uncertainties facing us next year, with strong results and reserves, the Board is pleased to recommend an unchanged dividend/interest of 1% on all accounts in line with last year.

Finally, I would like to thank the Finance Team who, like the rest of the business, adapted quickly to working remotely and worked tirelessly helping the operations teams deal with the large volume of member queries. Another clean audit report is a tribute to their disciplined approach and professionalism.

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Dinesh Sanghvi
**Treasurer**