



Annual Report

For the year October 2020 to September 2021

Produced for the Annual General Meeting, 1 March 2022

Gateway Credit Union Limited is Authorised by the Prudential Regulation Authority and Regulated by the Financial Conduct Authority and the Prudential Regulation Authority ref: 214010

Gateway Credit Union Annual Report 2020-21

This is a report on the activities of Gateway Credit Union during the year October 2020 to September 2021, prepared for the Annual General Meeting on 1 March 2022. This was a year of recovery, as we reshaped our services after the first coronavirus lockdown, and carefully re-opened our offices to members. We began the year by leaving the Torfaen Council IT network and moving onto independent server and telephone systems. We continued to face a number of challenges, particularly the effect of the pandemic on our members' finances, continuing restrictions, and finding the right balance between safeguarding our staff and volunteers and providing the in-person services which members have told us they value.

Membership

Membership grew during the year. We not only gained new members, but also closed fewer dormant accounts. Active adult membership rose from 3498 at the end of September 2020 to 3665 at the end of September 2021, a 4.8% increase. The majority of members now join to borrow initially.

We continue to focus not only on attracting new members, but also on being our existing members' first choice for savings and loans.

Priorities for the year

The Credit Union's priority continues to be to reach sustainability. We have defined this as covering our operating costs from earned income, to be achieved through modestly growing our loan book whilst ensuring costs, including bad debt, are managed appropriately. Our aim continues to be to provide affordable credit and accessible savings to a growing number of low-income members but to also attract members in employment, particularly through payroll partnerships with employers. By the end of the year, our income was recovering to pre-pandemic levels, and we had reopened our in-person services with masks, screens and social distancing measures, while continuing to improve our online and phone services.

During the year we continued to secure funding for development. We also used the coronavirus support scheme to reduce staff hours in early 2021 to correspond with a fall in demand for loans. As offices were able to reopen, we employed an additional member of staff through the Kickstart scheme.

In October 2020 we migrated off the Torfaen Council servers and phone systems and installed our own systems with help from Welsh Government. We would like to thank Torfaen Council and Shared Resource Service staff for all their support over many years and the staff of Orbits IT for a smooth transition. We have continued to invest in our digital services and in enabling staff and volunteers to work remotely.

This was another challenging year financially, as it was for many of our members. We prioritized keeping in contact with members who were having difficulty in paying, with flexibility in payments.

Lending

Generally, lending returned to pre-pandemic levels as lockdowns were lifted, at least for small loans. We made 1046 loans totaling £953,017 in the year. 895 loans were for £1000 or under. As a consequence of a tightening in our lending policy reflecting affordability concerns, we made fewer larger loans than in previous years which positively impacted arrears performance.

At the end of September 2020 we had £1,620,649 out on loan, which fell to £1,527,013 by the end of September 2021. By the end of December 2021 our loan book had risen to £1,593,994.

We continue to assess every application individually, based on a careful assessment of the member's household finances. Loan decisions are taken by the lending team, comprising members of the Credit Committee and staff. During the year we implemented a paper-free system for most applications.

Credit Control

We continued to maintain prompt and effective credit control processes during the year and returned to using debt recovery visits to maintain contact with members in arrears who have not responded to calls and letters. We continue to recover debt from earlier years and to make flexible arrangements with members in difficulty. We wrote off loans totaling £8,517 as unrecoverable and increased provisions for bad debt by £40,542. We are fortunate in having a skilled and experienced Credit Control team and Board which monitors arrears closely.

Savings

During the year savings fell slightly from £3,027,657 in adult savings and £410,812 in junior savings to £2,942,646 in adult savings and £406,500 in junior savings. The Cash ISA was closed in early 2021, as the credit union could not guarantee earning sufficient interest on deposits to pay a competitive interest rate.

Transactions and services

We now handle over 10,000 transactions a month, with most payments coming in electronically. Our cash and face to face services closed during lockdown periods and have gradually reopened, but we are seeing lower demand for face-to-face services than before the pandemic, with most members using online services and phone to contact us.

We continue to offer the Engage card as a current account alternative, and to work with the Bond Scheme and other services for members in need.

Sadly, we lost several members during the year. We made donations to their accounts through our Benevolent Fund totaling £4351.

The Board

Gateway has a skilled and dedicated team of Board members, many of whom also take an active day-to-day role in the running of the Credit Union.

Board members during the year were Brian Phippen (Chair), David Williams (Managing Director), Phil Jenkins, Rod Senior, Malcolm Jones, Paula Phippen, Andrew Blackmore (Treasurer), Pam Thornton, and Iestyn Foster who joined the Board at the last AGM.

Ian White, our late treasurer who died suddenly in November 2019, left a significant bequest to the credit union. This was received in October 2021.

Volunteers

We continue to rely on the dedication of volunteers across both counties, and volunteers were able to return to the offices during the year, with social distancing measures in place. Paul Erckens and Pauline Buckley are our current Internal Audit team, and Charlotte Rickwood, Sue Clouth and Paula Phippen serve on the Credit Committee/lending team.

Staff

The Chair and the Board would also like to acknowledge the hard work, dedication and commitment of the staff during this challenging year.

Partnerships

We are fortunate in having the support of our partners in both counties. Key partnerships include Torfaen County Borough Council and Monmouthshire County Council who allow us to operate from their premises, encourage schools to open savings clubs, and promote payroll deduction to their staff and membership to local residents. As Councils have reduced and combined services we greatly appreciate their commitment to still offering us physical space in their premises. We returned to Cwmbran Library in July 2021, and now operate in the Abergavenny Hub as well as in our Chepstow office.

We also work closely with the other members of Credit Unions of Wales and play an active role in the Association of British Credit Unions (ABCUL). Mutual support within the credit union sector and the expertise of our trade body has been more important than ever in navigating these difficult times.

We continue to take part in Welfare Rights and Financial Inclusion Partnerships in both counties, and to work closely with partners in supporting members. We continue to benefit from the support of Melin Homes, Monmouthshire Housing Association, Bron Afon Community Housing and Pobl group in promoting credit union membership to their tenants and staff. We also work with a range of community and voluntary organisations across Torfaen and Monmouthshire.

Our schools savings clubs remained closed, although we re-opened in Llanyravon Primary in the Autumn term of 2021.

Funding

During the year we continued to receive funding and support from the Welsh Government for our development projects and were able to access a variety of covid recovery funds. Total grant income was £140,212, which includes a grant of £100,000 to strengthen our reserves.

We also received a subordinated loan of £100,000 from Welsh Government.

Financial performance

Our income from loan interest was £187,244, reduced from previous years and reflecting the drop in lending during the pandemic. However monthly income from loan interest has now returned to pre-pandemic levels, with a smaller, more profitable loan book. The operating loss in the year was offset by capital grant funding which was intended to underpin our future growth. As at early 2022, our capital asset ratio is strong, and financial performance more positive although it will take several years to recover the losses made during the pandemic and we are conscious of the economic headwinds which are likely to place increased pressure on members' finances.

Dividend

Given that our operating costs materially exceeded our earned income in the year, the Board is not recommending a dividend for 2020-21.

Medium Term Business Plan

The Board has approved a business plan which includes a migration to a more robust and functionally rich core IT system. This will include a new website and mobile app which will make it easier and more convenient for members to access their accounts. We will continue to have a physical presence in the communities we serve and stay true to our roots and values as a community-based co-operative, while meeting members expectations of modern financial services.

Summary

Despite the challenges, membership continues to grow and Gateway Credit Union is in a strong position for future growth. The new server and phone system, new systems and policies and procedures developed during the previous year have helped us to continue to improve services and efficiency. As at early 2022, our monthly income is above pre-pandemic levels and loan demand is growing.

In June 2020 we asked members for their views about the future shape of our services, and we have implemented the findings, prioritising digital channels but also being a friendly face in a local branch or at a community event, and providing a wider range of services by phone and email. We have reconnected with our payroll partner employers and community partnerships following the pandemic and are now celebrating 25 years of operation.