

# Clockwise Credit Union

safe savings & affordable loans

## ANNUAL REPORT 2016



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# Introduction

Clockwise Credit Union Limited covers Leicester, Leicestershire and Rutland.  
Registered number FRN213498.

As at 30th September 2016, Clockwise had 9,053 members, up more than 800 on last year, with a total of £3.27M in savings, a rise of £70K on last year. On top of the adult membership we also had just over 800 young savers with over £279K invested in Junior and Child ISA accounts. The Clockwise net loan book stood at £2.69M, an increase of 5% on last year.

## Vision & Values

*"Community savings and loans; leading the way in improving the financial wellbeing of our community and its people through sustainable financial products and quality customer service."*

## Mission

### **Credible, responsible and accessible**

We will be a responsible and respected provider of a broad range of affordable and quality financial services, easy to access and managed responsibly.

### **Offering effective money management**

We will encourage the development of good financial practice, focusing on affordability and putting people in control of their own finances.

### **People not profits**

We aim to improve the financial wellbeing of the people we serve by encouraging loans and savings that benefit our communities and by putting people at the heart of our decision.

### **Credit Union**

We are proud to be part of the Credit Union community and will continue to foster the credit union ethos as a local, not-for-profit, members' owned alternative for your money. We are a Living Wage Employer.



# Report from the Chair

I am delighted to report another successful year for Clockwise Credit Union. Having had a couple of 'modest years' we have turned the tide and experienced growth for the last two years. Brian, our treasurer, will be going into a little more detail in his report, but the graphs below show a growing trend in both members and loans.



In the year ending 30th September 2016, Clockwise lent out almost £2.7 million pounds, which means thousands of pounds saved in interest had our members turned to higher cost lenders, thus supporting the local economy. We are pleased to have made a pre-dividend surplus of £175,000, which in this current economic climate is fantastic news.

So, here are some of our plans for the 2016/17 and beyond.

## 1. **Rewarding our members**

We would not exist without the 9,000 plus members who make up our Credit Union and it is their support and use of its products and services that has enabled us to achieve such great results. In recognition of this, the board have recently approved a strategy to reward not just our savers, in the form of a dividend, but also our loyal and good borrowers. We are currently looking at different ways we can do this, including, giving back to members a proportion of the loan interest they paid through the year. We will keep you informed of this exciting plan in our next members' update.

## 2. **Investment in the staff – our greatest asset**

We have a team of committed, skilled and motivated staff, friendly, professional and member-focused. But we aim to continue to provide as many opportunities as possible to ensure their continued personal development and increasing skills. All staff have been enrolled in the ABCUL Academy training, a new module-based programme. We also have two members of staff undertaking professional qualifications in Accountancy and Human Resource Management. We want to reward our staff for their hard work in achieving this fantastic result and have approved a strategy to pay them 10% of any pre-dividend surplus – this year amounting to £17,500, which was distributed amongst them.



### 3. Investment in the Credit Union

- a) Cyber-security. We hear so much lately about companies who have been hacked, lost customer data and, in the case of Tesco Bank, had money stolen from their customer's accounts. At Clockwise, we take the security of our member's information and funds very seriously. During the year, we undertook a full IT security review and are putting in place plans to strengthen our security and update our infrastructure.
- b) Banking Hall re-modelling. Following feedback from members and staff, we are looking at proposals to refresh the banking hall space, making it brighter, modern and more user-friendly, whilst retaining confidentiality, and a safe environment, both of which are very important to our members and staff.
- c) Market Research. We pride ourselves on knowing our members, where they come from, why they come to us and what we think they need and want from us. We know also that there are still thousands of people who don't know about us, and don't know what we do or offer. We plan to undertake a market research project to enhance to knowledge we already have of our membership range and to inform future development plans. We have significantly increased our marketing and communication budget to support this work and will be enlisting a Leicester University Business student to undertake the work.

We also continue to build and maintain strong relationships with all our strategic partners and with Members of the Fair Finance Group. We are very grateful for the invaluable support they provide. Finally, can I record my thanks to our staff, my fellow Board members, Supervisory Committee and all our dedicated volunteers who make such a valuable contribution to our work, ensuring that Clockwise Credit Union will continue to provide the quality products and services to ever increasing numbers of people in Leicester, Leicestershire and Rutland.

Finally, in 2017, Clockwise Credit Union will be celebrating 25 successful years of providing Credit Union services and products to the people of Leicester, Leicestershire and Rutland. We will be marking this event with events, celebrations and activities so please check out the website in the coming weeks. Your next members update will also provide details. We hope you will join us in celebrating all that we have achieved in this time.

*Paul Mattioli, Chair, November 2016*

## Note from the General Manager

I am absolutely delighted to report another successful year with 8% growth in membership.

This year has definitely been one of change which has further strengthened our business. Clare Shilton moved into managing business development and now leads the Development Team in raising awareness of Clockwise throughout our common bond. We also appointed a new Operations Manager, Emma Franklin-Keogh, to lead the Member Services Team and ensure the smooth operations of our head office branch.

As highlighted in the Chair's report, moving into a new year, we look forward to enhancing the member experience of our credit union further by focusing on improving our IT infrastructure, investing in additional staff training and refurbishing the banking hall.

*Teresa Manning, General Manager*

## Savings Incentive

A survey published this year by You Gov found that 31% of middle income people in Britain would struggle to find £500 to pay an unexpected bill, without having to borrow money.

This makes saving all the more important and we started a savings challenge where we have encouraged people to start saving a regular amount each week or month. Not only does this give peace of mind if an unexpected bill comes up but enables people to save for the things they want, like holidays or Christmas.

In addition, in association with the Illegal Money Lending Team, we have offered a savings incentive for anyone who joins and lives in the LE1 to LE5 areas of Leicester.

We waive their joining fee and if they save regularly for 3 months they receive £25 free.



# Treasurer's Report

2015/16 was an excellent year for Clockwise with a further increase of £130,000 in loans to £2.7 million, with most of our loans being made to members who are financially excluded from the mainstream banking system. This increase in loan numbers has generated additional income which combined with our continued success in managing our costs, has produced a surplus of £114,493 after a recommendation of an increase in the dividend on members' savings from 0.5% to 1.0%. This surplus has been added to the Development Reserve to fund improvements in the services that we will be offering members.

The accounts have been prepared in line with a new accounting standard, FRS 102, and where applicable, the previous year's results have been restated.

## Income

Total income of £954,894 is £92,000 higher than last year's restated income. 88% of total income is loan interest with the remainder being grants, membership entrance fees, bank interest, bad debt recoveries and other sundry sources of income.



## Expenditure

Total expenditure of £806,887 is £6,000 lower than the previous year reflecting the tight financial control that is maintained on all costs. The main saving was on employment costs (-£26,000) partly offset by an increase in the gross bad debt charge. However, our performance on net bad debts (ie. gross bad debts less recoveries) shows a reduced cost of £7,000 on the previous year charge. We continue to adopt a sensitive approach to the management of repayment of members' loans and are successful in ensuring that 95% of loans are repaid.

## Balance Sheet

We are pleased to record another year of increases in member's loans, up £130,000 to £2.7 million. We reduced our bank balance by £244,000 but retained a relatively high balance of £1.25 million which we are seeking to reduce through increased lending. Members' share balances continue to grow by £244,000 to £2,018,849 offset by a reduction in Cash ISA balances.

# Treasurer's Report (cont)

## Balance Sheet (cont)

Following the decision of the Cooperative Bank to withdraw the credit union current account facility, all member's current accounts were closed during the year and the balance on this account reduced to nil. Each member's £1 investment with Clockwise was worth £1.31 illustrating the strength of our balance sheet.

## Reserves

### General Reserve

The Bank of England Prudential Regulation Authority (PRA) requires credit unions to retain a restricted reserve based on total assets, that can only be used in specific circumstances with the agreement of the PRA. Clockwise meets this requirement.

### Development Reserve

We maintain a development reserve to be used to improve the service we provide to our members.

### Property Reserve

This reserve has been created from funds donated by the Santander Bank and is used to maintain and enhance our building.

Bank of England Prudential Regulation Authority (PRA)

All credit unions are required to meet a number of financial ratios monitored by the PRA at quarterly intervals. Clockwise met these ratios at each quarter.

### Budget and Business Plan

A three-year business strategy and a one-year business plan have been agreed by the Board and a financial budget has been prepared for 2016/17. Monthly results are monitored against the budget with corrective action taken where actual results deviate from plan.

The budget anticipates producing a surplus of £48,000 based on the current dividend rate.

*Brian Wilson, Treasurer, November 2016*





# Independent Auditors' Report to the Members of Clockwise

We have audited the financial statements of Clockwise Credit Union Limited for the year 30 September 2016 which comprise the Statement of Financial Position, the Statement of Income and Expenditure, Statement of Changes in Equity and the related notes.

## **Significant accounting policies**

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and FRS 102 which is the Financial Reporting Standard applicable to United Kingdom and Republic of Ireland.

## **Information and judgements**

Information and judgements that the Credit Union has applied in preparing these accounts are based on the carrying amounts of all income, expenses, assets and liabilities as at the end of the financial year subject to any adjustments mentioned in the accounts and in the notes and disclosures to the accounts.

## **Estimation techniques**

Except for Note 1(d) on Provision for Impaired Loans and Note 5 on Impaired Loans Written Off, there were no assumptions made concerning the future or estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Apart from this, there is nothing to report under FRS 102 section 8.7.

This report is made solely to the Credit Union's members, as a body, in accordance with the Industrial and Provident Societies Acts 1965 to 2002 and 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's members as a body, for our audit work, for this report, or for the opinions we have formed.

## **Respective responsibilities of the directors and auditors**

The directors are responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). These standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.



# Independent Auditors' Report (cont)

## Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm)

## Opinion

In our opinion the financial statements

- give a true and fair view of the state of the Credit Unions affairs as at 30 September 2016 and of its income and expenditure for the year ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and in particular in accordance with FRS 102 and also in accordance with the Industrial and Provident Societies Acts 1965 to 2002 and the Credit Unions Act 1979.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Friendly and Industrial Provident Societies Act 1965 to 2002 requires us to report to you if, in our opinion:

- proper books of account have not been kept by the Credit Union in accordance with the requirements of the legislation;
- a satisfactory system of control over transactions has not been maintained by the Credit Union in accordance with the requirements of legislation;
- the revenue account or the other accounts (if any) to which the report relates, and the balance sheet are not in agreement with the books of account of the Credit Union;
- we have not obtained all the information and explanations necessary for the purpose of our audit.

As part of the Credits Union Sourcebook (CREDS) Issued by the Prudential Regulation Authority (PRA) we are also required to confirm that we are:

- Complying with the Financial Services Compensation Schemes (FSCS) requirements for Single Customer View
- Maintaining adequate insurance including both General and Fidelity Bond Insurance
- Carrying out Additional Activities, as described by CREDS, as we provide Transactional Accounts in the form of Credit Union Current Accounts, Pre-paid Engage Card and Rent Payment Accounts and are in compliance with the regulations regarding operation of these accounts.

*Antony E Humphreys, Statutory Auditor, November 2016*

# Income & Expenditure Account for the Year End

## FOR THE YEAR ENDED 30 SEPTEMBER 2016

|  | 2016<br>£      | 2015<br>£      |
|--|----------------|----------------|
| <b>INCOME</b>                          |                |                |
| interest on Loans                      | 839,519        | 736,976        |
| Entrance & Service Fees                | 18,329         | 5,842          |
| Members Current Account                |                |                |
| Fees Received                          | 39,040         | 100,328        |
| Fees Paid                              | -60,417        | -103,189       |
| Net Cost                               | -21,377        | -2,861         |
| Bank Interest                          | 9,116          | 7,215          |
| Bad Debts Recovered                    | 41,382         | 20,101         |
| Grant Income                           | 42,789         | 60,074         |
| Other Income                           | 25,136         | 35,175         |
|  | <b>954,894</b> | <b>862,522</b> |
| <b>EXPENDITURE</b>                     |                |                |
| Employment Costs                       | 353,180        | 379,406        |
| Property Costs                         | 29,426         | 29,440         |
| IT & Office Costs                      | 57,087         | 39,943         |
| Insurance                              | 25,938         | 25,415         |
| Depreciation                           | 20,372         | 23,659         |
| Trade Association Fee                  | 9,230          | 9,088          |
| Audit Fees                             | 9,600          | 15,807         |
| Marketing                              | 42,014         | 45,249         |
| Debt Management                        | 23,464         | 25,169         |
| Legal & Professional                   | 26,826         | 24,035         |
| Other Operating Costs                  | 8,751          | 8,246          |
| Bad Debts                              | 200,099        | 187,029        |
|  | <b>806,887</b> | <b>812,486</b> |
| <b>SURPLUS FOR THE YEAR BEFORE TAX</b> | 148,007        | 50,036         |
| Corporation Tax                        | -2,089         | -1,450         |
|  | <b>145,918</b> | <b>48,586</b>  |
| Dividend & Interest                    | -31,425        | 30,035         |
| <b>SURPLUS FOR THE YEAR</b>            | <b>114,493</b> | <b>18,551</b>  |
| <b>TRANSFER TO DEVELOPMENT RESERVE</b> | <b>114,493</b> | <b>18,551</b>  |

# Balance Sheet

**AT 30 SEPTEMBER 2016**

|   | £                | 2016<br>£        | £                | 2015<br>£        |
|---|------------------|------------------|------------------|------------------|
| <b>FIXED ASSETS</b>                                       |                  |                  |                  |                  |
| Tangible Assets   |                  | 420,528          |                  | 438,194          |
| <b>LOANS TO MEMBERS (NET)</b>                             |                  | 2,699,794        |                  | 2,568,906        |
| <b>CURRENT ASSETS</b>                                     |                  |                  |                  |                  |
| Sundry Debtors  | 64,776           |                  | 48,209           |                  |
| Bank Current & Deposit Account                            | 1,250,888        |                  | 1,494,421        |                  |
|   | <u>1,315,664</u> |                  | <u>1,542,630</u> |                  |
|   | =====            |                  | =====            |                  |
| <b>CREDITORS: AMOUNTS FALLING<br/>DUE WITHIN ONE YEAR</b> |                  |                  |                  |                  |
| Sundry Creditors & Deferred Income                        | 90,320           |                  | 122,439          |                  |
| Dividend Provision  | 25,987           |                  | 16,357           |                  |
|   | <u>116,307</u>   |                  | <u>138,796</u>   |                  |
|   | =====            |                  | =====            |                  |
| <b>NET CURRENT ASSETS</b>                                 |                  | 1,199,357        |                  | 1,403,834        |
| <b>TOTAL ASSETS LESS CURRENT<br/>LIABILITIES</b>          |                  | <u>4,319,679</u> |                  | <u>4,410,934</u> |
|   |                  | =====            |                  | =====            |
| <b>SHARE ACCOUNTS</b>                                     |                  | 2,018,849        |                  | 1,774,655        |
| <b>CURRENT ACCOUNTS</b>                                   |                  | 0                |                  | 318,963          |
| <b>CASH ISA</b>   |                  | 978,685          |                  | 1,153,706        |
| <b>CHILD TRUST FUND</b>                                   |                  | 222,457          |                  | 221,536          |
| <b>YOUNG SAVERS</b>                                       |                  | 57,520           |                  | 57,608           |
| <b>GENERAL RESERVE</b>                                    |                  | 479,318          |                  | 479,318          |
| <b>DEVELOPMENT RESERVE</b>                                |                  | 519,641          |                  | 405,148          |
| <b>PROPERTY RESERVE</b>                                   |                  | 43,209           |                  | 0                |
|   |                  | <u>4,319,679</u> |                  | <u>4,410,934</u> |
|   |                  | =====            |                  | =====            |

The accounts were approved by the  
Board of Directors 23rd November 2016

On behalf of the Board  
P Mattioli  
B Wilson

# Supervisory Committee Report

## Role and Composition of the Supervisory Committee

The Supervisory Committee is the credit union's internal audit committee and is here to provide scrutiny on the work of both the Management and the Board on behalf of Clockwise members. Its purpose is to make sure that Clockwise operates within the law, its own rules and policies, and within the framework laid down by the regulatory authorities. Whilst its work may be carried out by staff or outside specialists responsibility remains with the Committee.

At last year's AGM Paul Constable was elected to the Committee. Peter Nicholls has indicated his intention to resign from the Committee after serving for three years and we would like to thank him for his valuable help during a period when the Committee has had to adapt and deal with many very important changes that have happened to Clockwise. The Committee will be reduced to two members and is actively searching for a new member to bring it up to full strength. We would welcome any new candidate(s) who could bring additional expertise to the Committee.

## Committee Activities

- (1) One or more Committee members have been in attendance at the monthly meeting of the Board. We have been able to monitor the matters discussed there and always feel free to comment where we see the need. We have made verbal and written reports on our own work and the work of Howarths, the professional internal auditors. These have been actioned or noted as appropriate. In addition to this, we have attended the meetings of the various sub committees of the Board.
- (2) The Committee has itself met six times during the year to discuss progress on the issues facing Clockwise and to plan what internal audit work should be done by ourselves and Howarths. We have conducted regular checks on cash balances and bank reconciliations.
- (3) Training: Paul Constable has completed an online course for Supervisory Committee members run by ABCUL and Jeremy Siddall completed a module on reform of CREDS ( the specific rules set by the Regulator which affect credit unions).
- (4) During the year we have had meetings with the Chair of the Board, B M Howarth Ltd, PWH Accountancy Ltd (the external auditors) and the Clockwise pension advisers, and attended the Board's Annual Strategy Day.

# Supervisory Committee Report (cont)

- (5) Jeremy Siddall was also able to attend the ABCUL annual conference in Manchester over a weekend in March. This gave him the opportunity to meet many other people from the credit union world as well as the opportunity to benefit from various detailed workshops.

## Internal Audit

Towards the end of 2015 BM Howarth Ltd completed the initial 2 year audit programme and we met with them in January to discuss a new plan for 2016 – 2017. Once formulated this was approved by the Board and the first visit of that programme took place in July. In addition to specific areas Howarths re-examined their wide ranging January 2014 report, as updated, to see that the improvements referred to last year have been maintained. They commended the staff on the progress that has been made.

## Other Matters

Last year we reported the appointment of Teresa Manning as our new General Manager and Sue Vincent as our Operations Manager.. During this year Sue has decided to reduce the hours she works with Clockwise and her role as Operations Manager has been taken by Emma Franklin-Keogh. We would like to record our thanks to Sue for her many years of dedicated service and are very pleased to say that she is staying on at Clockwise, assisting with various projects on a part time basis.

As you will see elsewhere in the accounts and reports Clockwise has had a very positive year and that result is particularly down to the quality and enthusiasm of the staff. We would like to thank them for all the hard work they have put in. We would also like to mention the work that the Board undertakes. In addition to their attendance at the regular Board and sub-committee meetings the Directors bring a very high level of commitment to the well running of the organisation. Their drive and professionalism in the pursuit of the strategic aims of Clockwise have resulted in a stronger and better run credit union, well adapted to an increasingly complex financial environment. Above all else they are unequivocal in seeking to attain the highest standards in terms of corporate governance and adherence to regulatory requirements.



# Supervisory Committee Report (cont)

Finally, we would like to list some, but by no means all, of the areas that have been addressed during the period:

1. The sub committees of the Board have had their terms of reference updated and agreed, and are now working with well documented procedures.
2. An IT Group was formed to consider all aspects of Clockwise IT needs and should report on proposed changes and improvements by early next year.
3. The Procedures Manual has been updated and entirely re-written to produce an invaluable tool for everyone.
4. Reviews have been conducted on Health & Safety and Fire Procedures.
5. The website and Clockwise logo have been redesigned.
6. Directors selection and induction has been formalised and an information pack produced for potential candidates. The Board has been strengthened by the addition of two new members who bring with them new areas of expertise.
7. Significant progress has been made in further achieving the governance standards set by ABCUL
8. The forced withdrawal ( and successful substitution with the Engage card where required) of the Credit Union Current Account has been completed.
9. The premises have been refurbished, with major improvement to the banking hall.

*Jeremy Siddall, Chair, November 2016*

## Board Activity

Attendance at Board meetings for 2015/2016 – 80%

Training undertaken by Directors during the year included:

ABCUL Academy Directors Learning Pathway  
Treating Customers Fairly  
Anti-Money Laundering  
Corporate Governance  
Conduct Training  
Complaints Process  
Financial Crime Training

# Clockwise Credit Union

safe savings & affordable loans

## Administrative Information

Registered in January 1992  
Register Number IP00280C  
PRA/FCA Registration 213498

### Directors:

Chair: Paul Mattioli  
Treasurer: Brian Wilson  
Stephen Barringer  
Roger Blackmore  
Donald Clinton-Smith  
Paul Dickinson  
John Lally  
George Puszczynski  
Keith Rose  
Roy Stephenson

### Other Information:

Business & Registered Address: 1 St. Nicholas Place, Leicester LE1 5LB

Telephone: 0116 2423900

Website: [www.clockwise.coop](http://www.clockwise.coop)

Auditors: PWH Accountancy Ltd  
The Counting House  
High Street  
Lutterworth  
Leicestershire  
LE17 4AY