

### Minutes of meeting held on 9 September 2024

The meeting was facilitated by ABCUL and held online.

The meeting opened at 13:01 with Jackie Littlewood from ABCUL (our trade association) who was managing the meeting spent a few minutes explaining the technology and giving everyone a test vote.

The AGM began at 13:05 with 35 attendees, i.e. quorate, 33 attendees were present until the end.

Nick Gallop, the Chair, ran through the agenda which was as published on our website; he reminded members that this meeting covered an 18 month period as we had changed our financial year-end from September to March. We had done this so we could work with our auditor during a quiet period and get the accounts signed off earlier.

### Apologies:

There were no apologies.

### Minutes of the previous AGM

Draft minutes had been circulated to members who attended last year's AGM for comment or correction a few days after the meeting was held. They were corrected, recirculated, and with no further comment, they were agreed at the time.

Nick planned to do the same this year, so corrections and approval could be done while everyone remembered what had been said.

The main lessons from the last AGM had been:

- a. To separate votes for rule changes
- b. That we should make greater efforts to keep members informed.

Putting that into action, today's votes on rule changes and board members were all individual. The annual report published online for this meeting was a big part of our efforts to keep members better informed, and we'll keep trying to improve.

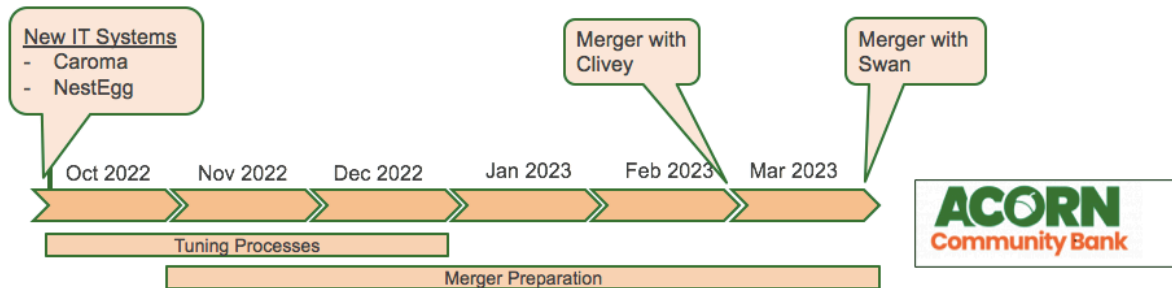
### Annual Report: audited accounts & 2023- 24 business results

The business report & accounts had been published online. Nick briefly summarised the highlights of the last 18 months:

- October '22: a new IT system
- February '23: merger with Clivey, a Swindon based credit union
- April '23: merger with Swan which, as it operated in Oxfordshire & Buckinghamshire, changed our common bond counties and required a name change to Acorn Community Bank
- During 3Q '23 we refined governance and appointed Clive Henly as a volunteer Chief Executive Officer (CEO)
- In 4Q '23: we started incentive savings accounts
- It only makes sense to look at growth rates for the period after the mergers had taken place. In the 12 months after the mergers, active membership and lending continued to grow.

Clive then went into more detail:

On 1 October 2022, the first day of the reporting period, we switched on new IT systems. This gave us cloud-based services so we no longer needed to run our aging server, and modernised our banking systems which would help us to grow and improve service to members over time. There was a period at first, while the office team were learning how best to use the new systems when service levels fell, and Clive thanked members for their patience at the time.



Having adapted to the new IT system we started to prepare for the mergers. By the time the mergers were completed we had grown from a credit union:

- with 1700 active members to one with 4200 active members;
- with £1.2M out on loan in 1724 loans to one with £2.2M out on loan in 2787 loans
- with £1.5m in member share to one with £3.8 m member shares and cash to lend.

Clive then moved on to discuss the 12 months following the mergers

Apr 2023	Oct 2023	Mar 2024	Jul 2024
7,600 members – <b>4,200 active</b> £3.8m member shares 2,787 loans totalling £2.2m Capital/assets ratio 6.3%	8,100 members – <b>4,900 active</b> £3.6m member shares 2,998 loans totalling £2.6m Capital/assets ratio 6.9%	8,700 members: <b>5,100 active</b> £3.6m member shares 3,295 loans totalling £2.8m Capital/assets ratio 7.5%	9,400 members; <b>5,200 active</b> £3.5m member shares 3,414 loans totalling £3.1m Capital/assets ratio 8.1%

Having more than doubled our membership there was another consolidation period following the mergers: despite the office teams best efforts our service levels fell during the Spring, recovering over the Summer. Other challenges included cost of living pressures and their effects on members' ability save, so there were some share withdrawals and some impact on members' ability to repay loans.

We introduced and actively promoted incentive saving schemes: the Acorn Saver has helped some members to save for the first time; the Unicorn & Xmas savers help others prepare for expensive annual events; these complement the PrizeSaver which has been around for a while and injects a little fun into saving.

We introduced more flexible loans, adapting the Family Loan and introducing the Acorn Personal loan for new borrowers. As total lending grew so did income: in turn our capital to asset ratio grew from 6.3% to 8.1%.<sup>1</sup>

<sup>1</sup> The capital to asset ratio is a measure of our financial strength. Our capital is mainly accumulated profit built up over time plus some loans made to us to strengthen our reserves; our assets are all member shares plus our own capital. The Bank of England sets 3% as a minimum ratio.

Earlier this year we started a financial inclusion project in Salisbury. This is funded by Wiltshire Council as part of their health inequalities fund, because health issues are so often linked to financial issues. We are seeking funding to do more of the same in other areas.

There are now 14 in the office team supporting all these efforts, and Clive thanked them for all they do.

Good progress made but much more to do. We're:

- planning to increase the maximum family loan;
- going to enable payments direct from other benefits, improve direct debit flexibility and allow on-line payments: changes designed generally to make loan payments more convenient;
- developing more incentive savings offers;
- launching a new phone app and developing a better website;
- redeveloping our Junior Membership offer (currently it only has a paper based joining method)

There were no questions about the accounts.

### Supervisory report

The Supervisory committee works to ensure that policies, procedures and regulatory requirements are properly applied. Since last AGM in March 2023 the elected supervisory members were Gael Decoudu, Felicity MacDonald and Neil Cosburn.

The committee has been involved in discussions about how we manage risk, chosen topics for audit and reported on their activities at every board meeting. Where issues have been raised then action has been taken to improve processes and policies.

There were two main audits during the period of this report, one into the way Acorn manages data privacy and the other into Credit Control. These two audits were handled by a specialist firm. Encouragingly we now have an internal audit volunteer: a professional auditor who has completed training on credit union regulation and has started work on an audit of process documentation.

One of the key roles of the Supervisory Committee is to ensure that the Board delivers compliance with regulatory requirements. We are pleased to confirm that all regulatory returns have been completed and returned as required.

The Supervisory Committee has also considered its own future. It recommends that as Acorn evolves it will be better served by a more integrated approach with an Audit & Risk Committee run as part of the board's control of governance. It is for members to consider this recommendation at the AGM.

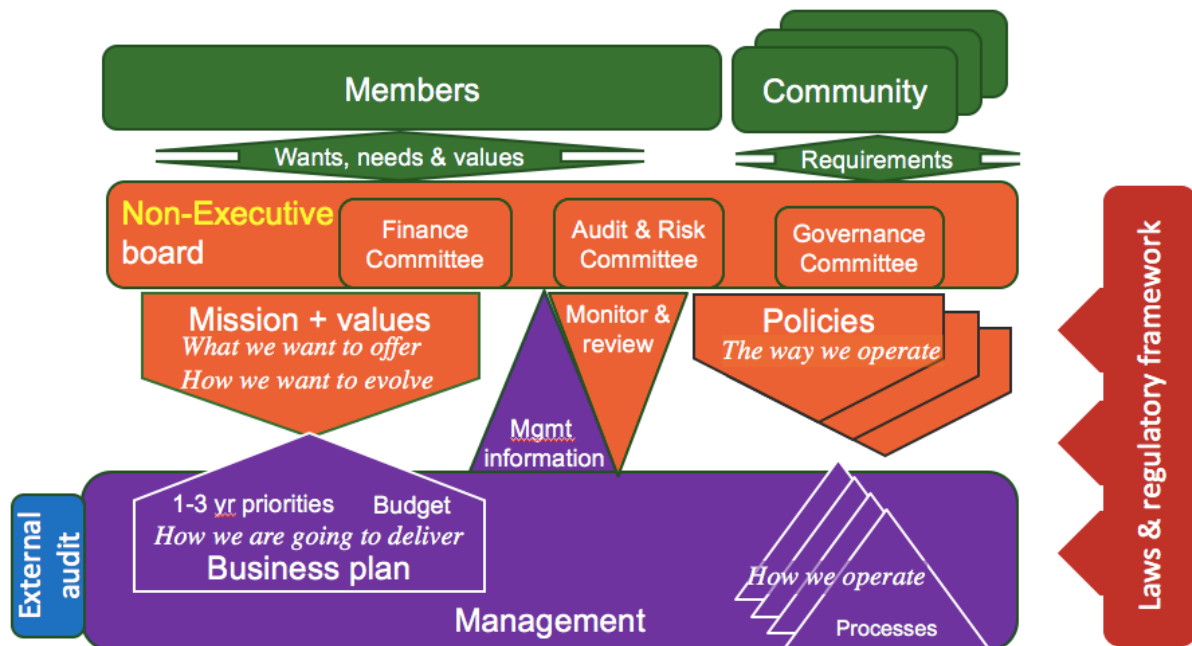
There were no questions about the supervisory report.

### Vote on the board's dividend proposal

The board's proposal for a 1% dividend paid to member based on their 30 March balance, with no delinquent loans, and paid as interest to junior members, was approved by a clear majority. 29 in favour, 2 against.

### Votes on rule changes

With the details of rule changes published on our website, Nick explained the rationale for the proposals, because of the way we have changed our approach to governance as the business has grown. We no longer have an executive board performing various office tasks.



Today we have a CEO leading management and operations and a non-executive board that sets the direction for the organisation:

- The board sets out a mission which management uses to develop a 3-year plan, and the board approves that plan and the budget for it.
- The board defines policies, and then management develops the detailed processes that deliver those processes
- It is then for management to work to the budget, following the processes to deliver our services to members
- The board reviews results at monthly board and committee meetings

With a non-executive board we no longer needed to separate out the supervisory committee, which mainly helped plan our approach to audit. We recommended integrating our approach to audit as part of board responsibilities.

With a non-executive board, we needed fewer directors. The board has never recently had more than 10 members, so we should reduce the limit which is set by members to that number.

Finally, as loan volumes grew, so did lending decisions and it would be impossible to provide an acceptable service with a volunteer board credit committee reviewing marginal decisions.

The vote to replace the Supervisory Committee with an Audit committee was approved by a clear majority of 28 for, and 2 against

The vote to reduce the maximum number of directors from 15 to 10 was approved by a clear majority of 30 for, and 1 against.

The vote to run the board without a credit committee was approved by a clear majority of 29 for, and 2 against.

### Votes on new directors

The three proposals for new directors were separately presented.

Chris Pollard had been co-opted during the year. Members voted unanimously in favour of confirming him as a director (28 for, none against).

Having served on the to-be-disbanded supervisory committee, two of its members had been invited and agreed to become directors subject to a member vote:

Members voted unanimously in favour of appointing Neil Cosburn (30 for, none against).

Members voted unanimously in favour of appointing Gael Decoudu (30 for, none against).

### Looking forward

Acorn Community Bank has been growing membership, lending and financial strength. We plan to build our assets so we can continue to grow, to serve more people and help them build their own financial strength.

If we are to realise that ambition we need to raise more funds to increase the cash we have available to lend. We will ask the Bank of England for approval to offer interest bearing accounts, and use that ability to offer bonds to local authorities. We also intend to improve our savings offer to members with, for example, a 90-day interest bearing notice account.

Events had overtaken that plan, and we have been approached by a solvent credit union with cash that would probably fund our expanded lending needs for about a year. The discussions were at an early stage. If the merger goes ahead, we are likely to complete it at the end of March '25 and would continue to operate as Acorn Community Bank. We will keep members informed as this progresses.

We are overwhelmingly a single product credit union: the Family Loan makes up about 80% of our loans. This skews our membership to those in receipt of child benefit, generally women under 45. While it's not bad to have a popular product we need to design and deliver a wider range of loans to meet the needs of a wider range of society.

As we grow, so does the work of managing the credit union and it seems unreasonable to continue to rely on the voluntary services of our CEO. We plan to make this a paid role when we judge that to be affordable, probably from January '25. Responding to a question, it was added that this view of the appointment's affordability was a judgement made by the board in the context of our financial plan.

We are improving our use of financial technology and will soon be offering a much better app for members to use.

### Questions

Questions had been taken along the way and most answers are included in the summary above.

The weight of questions showed there was keen interest in getting a better app, which would offer biometric sign-in and help with communication, especially during the loan application process. There were some concerns about the office's ability to cope with extra communication.

Not unreasonably, there were also concerns & questions about security, both for the new app, and more generally. We continually work to improve security with National Cyber Security Centre certification as the next goal.

Several members also used the 'question' ability to say thank you to the board, staff and volunteers.

### AOB

Nick suggested that many members would benefit from the PrizeSaver account. It's available to each member and offers a monthly prize draw. You can use the app to move up to £200 into the account, the money earns a dividend as well as any prize and it's instantly available, just like the money on your shares account. As we subscribe to the PrizeSaver for Acorn as a whole, at a fixed cost, we get more value when there are more winners.

Nick said credit unions say they are 'ethical' without ever going into any detail. We had been working on a short, 1-page description of our ethical values and what we want them to mean to our five stakeholders. When the agreed minutes were circulated he would be inviting members' opinion on this statement so the board could be sure it reflects their views. Once validated this statement of ethical values would become one of the inputs to management's annual planning process.

Finally, Nick invited any member who was interested in becoming a director to contact him and find out more about what's involved. Members can send him an email: [nickg@acorncb.co.uk](mailto:nickg@acorncb.co.uk)



With thanks to all for joining, voting and asking questions, the meeting closed at 14:30.