

Chair's Report 2018/2019

Introduction

On behalf of the Board of Directors, I would like to welcome all Scotwest Credit Union members to this, our 29th Annual General Meeting.

This year's AGM will be streamed live on Facebook. Please take the time to "like" us on Facebook and follow us on Twitter where you can keep up to date with all our latest news.

Governance

Rule Book

Scotwest Credit Union is governed on behalf of its members by a voluntary Board of up to nine Directors. Directors serve for an initial three year term, following which they can be nominated to stand for a further three years. After serving two consecutive terms, the current rules state that, a Director is prohibited from serving the Credit Union in any capacity, or from influencing the direction of the Credit Union, for a period of 12 months from the date of their vacation from office.

This year we are asking members to approve two amendments to the Rule Book that ensure, whilst our governance framework remains strong, we will have a degree of flexibility as well as a remit to utilise the experience gained by Directors throughout their tenure. We are proposing that the Nominations Committee has the scope to:

- Nominate an outgoing Director to stand for election to serve for a further one year term where there are exceptional circumstances; and
- Invite ex-Directors to participate in and assist with Directors training.

Directors

We have governed the Credit Union with nine Appointed Directors this year, eight of which had been previously elected by the members and one who had been co-opted by the Board in February 2019.

There are potentially five Director vacancies to be filled, however, we are only nominating four candidates as follows:

- 1) Three Directors have completed their first three years in office and I am delighted to say they have been nominated to stand for a further three years. Those Directors are, Cathy Jamieson, Ian Turner and Caroline McMichael.
- 2) John Begg has served on the board since October 2018. Having been elected by the Board to fill a casual vacancy last year, he has now been nominated to stand for election by the members.

- 3) Scott Frame has completed his first three years in office, however, due to increasing work commitments, he has regretfully advised the Board that he is unable to stand for a second term. I'd like to thank Scott for his service to Scotwest and wish him all the best for the future.

This leaves us with a vacancy to fill. Once the Nominations Committee has a candidate from the Directors' Academy suitably trained, the Board will look to fill this vacancy in accordance with Rule 40.7, Casual Vacancies.

Scotwest is owned by its members and its governance is strengthened by new Directors coming through the Directors' Academy. I would therefore encourage members to consider joining the Director's Training programme scotwest.co.uk/about/scotwest-director-training-academy

Delegated Authority Policy

The Board has made an amendment to the **SCU-DA Delegated Authority Policy** and, in accordance with Rule 50.1, the Board is required to report any changes it makes to this policy.

Having recognised a gap, the Board has added the following bullet point (in green) to the undernoted section of the Delegated Authority Policy:

Outwith the Rule Book, the Board of Directors have reserved the following matters:

- Appointment of the Chief Executive Officer;
- **Management of the Chief Executive Officer including performance and attendance;**
- Appointment of the internal auditor;
- Decisions on attendance of Board members at events, conferences, etc.;
- Approval of the annual strategic plan, business plan and financial budget;
- The remuneration of the Chief Executive Officer;
- Approval of capital expenditure in excess of £25,000.

Strategy and Business Plan

The Board's strategic plan for the next three years focuses on prudential objectives, IT development and social responsibility

The Board's key prudential objective is to maintain and manage the prudential balance between savings, loans and dividends whilst maintaining an appropriate Capital to Assets Ratio above the minimum regulatory requirement.

The development of our IT systems is vital in order to continue to provide the services our members want and in the right way. Our IT Development Roadmap is built into our strategic business plan and sets out our digital development, including:

- Implementation of Faster Payments
- Development and implementation of a new Digital Platform (online and mobile banking)
- Replacement of the loan processing system



We are proud to say that we have agreed to develop our own Social Responsibility Charter. Developing this charter will help promote a vision of our accountability to a wide range of stakeholders and is aimed at ensuring our business model has a positive impact on society.

Social responsibility is also closely linked with the concept of sustainability and requires consideration of the social and environmental consequences of any decision, in addition to the financial and economic dimensions. Organisations can no longer act as isolated economic entities operating in detachment from broader society.

As a credit union, Scotwest is already by its very nature, an ethical organisation. The Board has therefore agreed that Scotwest should now focus on and articulate its impact on the environment, the community and people. Please look out for more information on this in 2020.

I am happy to report that we delivered our main business plan objectives for 2018/2019. This year we saw our lending book grow by over 14%, sitting just over £41m. We also saw savings continue to grow, increasing this year by 6% and sitting well over £65m.

Looking forward, the Board's objective is to maintain the balance between ensuring that Scotwest continues to be sustainable whilst remaining relevant to the members, growing with them and continuing to make their financial lives better.

Regulatory Compliance

Scotwest, like all credit unions in the UK, is dual regulated by the Financial Conduct Authority and the Prudential Regulation Authority (PRA). The PRA requires that each credit union's governing body will report to the members at the annual general meeting in respect of compliance as follows:

Depositor Protection

Scotwest members are protected by the Financial Services Compensation Scheme. This means we are required to comply with various regulatory requirements in respect of the deposits we hold. In accordance with the PRA Credit Union Rule Book Part 10.1 we can confirm that we are compliant with the requirements of Depositor Protection 11 and 49 to 51.

Policy of Insurance

The PRA Credit Union Rule Book Part 2.10 requires us to maintain insurance to protect against any loss suffered or liability incurred by reason of the fraud or other dishonesty of any of our officers or employees. In accordance with the PRA Credit Union Rule Book Part 10.1, we can confirm that we have complied with those requirements.

Additional Activities

The PRA Credit Union Rule Book Part 4 allows a credit union to carry out "additional activities" and provides additional compliance requirements. In accordance with the PRA Credit Union Rule Book Part 10.1, we can confirm that we have carried out the additional activities of "additional investments", "additional lending" and "mortgages" and that we are compliant with the additional requirements thereon.



Summary

As the political landscape continues to breed so much uncertainty, I believe that Scotwest is strongly positioned to continue to provide excellent financial services to its members both now and in the future. I would therefore encourage all of our members to actively engage with their credit union and to spread the word to family, friends and colleagues.

I would like to thank everyone at Scotwest; the staff and the volunteers, for their open and honest hard work and commitment and for the care and respect that they show to our members every day.

Last, but not least, I would like to thank you, the members, for your continued engagement and support of Scotwest Credit Union.

David McRiner, Chair

November 2019