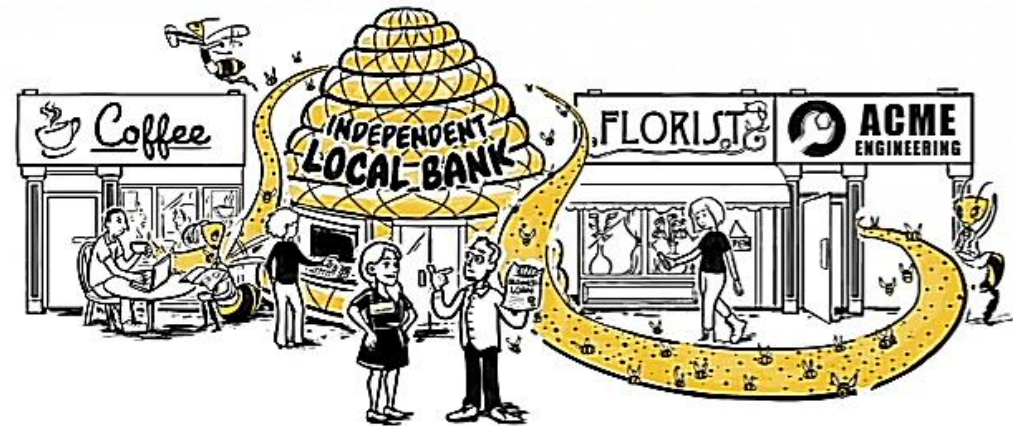


# AVON MUTUAL

## Regional banking for inclusive growth



**Jules Peck**, Founding Director, Avon Mutual

**Dena Brumpton**, Trustee Director, Avon Mutual

Meeting with Stroud Council 20<sup>th</sup> March 2019



Avon Mutual

# Contents

- 1. Why do we need a regional mutual bank?**
- 2. Introducing Avon Mutual: products and services**
- 3. Impact and investment case: the benefits for the region**





# 1. Why do we need a regional mutual bank?

*“Central government should explore and encourage the establishment of regional banks... including community banking models such as the Community Savings Bank Association.”*

*RSA Inclusive Growth Commission*



## INCLUSIVE GROWTH COMMISSION

ACTIVE



SAVE TO MY RSA



*The Inclusive Growth Commission was an independent, impactful inquiry designed to understand and identify practical ways to make local economies across the UK more economically inclusive and prosperous.*

Cities and places in the UK and internationally are grappling with how to deal with a sustained period of low growth and high inequality. The distribution of economic growth – the flow of opportunities and benefits from economic activity – has become a first order question, no longer just a secondary concern. A global consensus is emerging around the view that inequality not only has a social cost, but that it also hampers long-term economic performance and the productive potential of people and places.

Chaired by former BBC economics editor Stephanie Flanders and building on the success of the RSA's City Growth Commission, the Commission sought to devise new models for place-based growth, which enable the widest range of people to participate fully in, and benefit from, the growth of their local area. The inquiry was completed



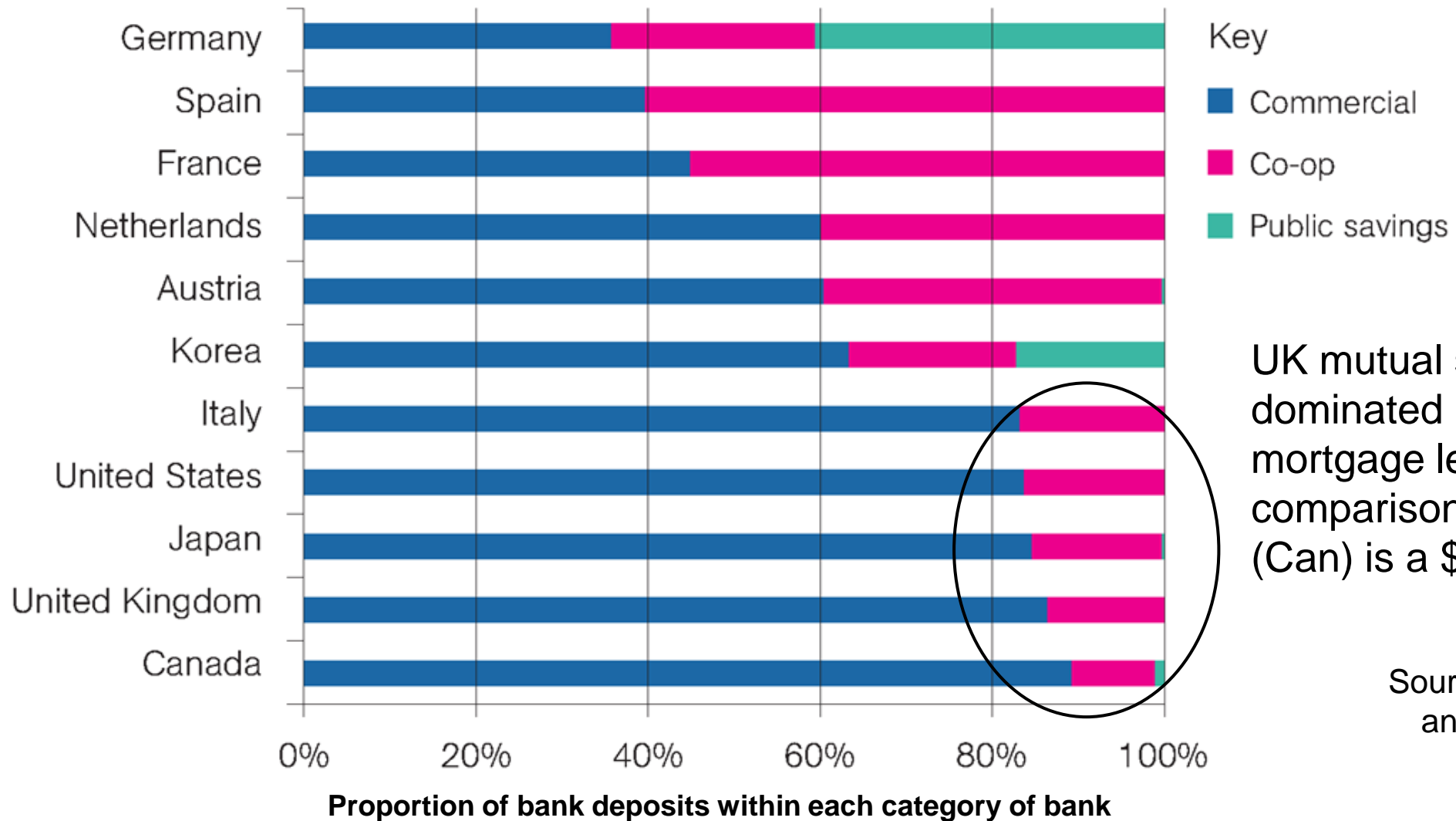
## A LOCAL BANKING SYSTEM

OUR MISSING LOCAL BANKING INFRASTRUCTURE, WHY IT MATTERS AND WHAT CAN BE DONE ABOUT IT

12 MARCH, 2011 | PUBLICATIONS

NEW  
**ECONOMICS**  
FOUNDATION

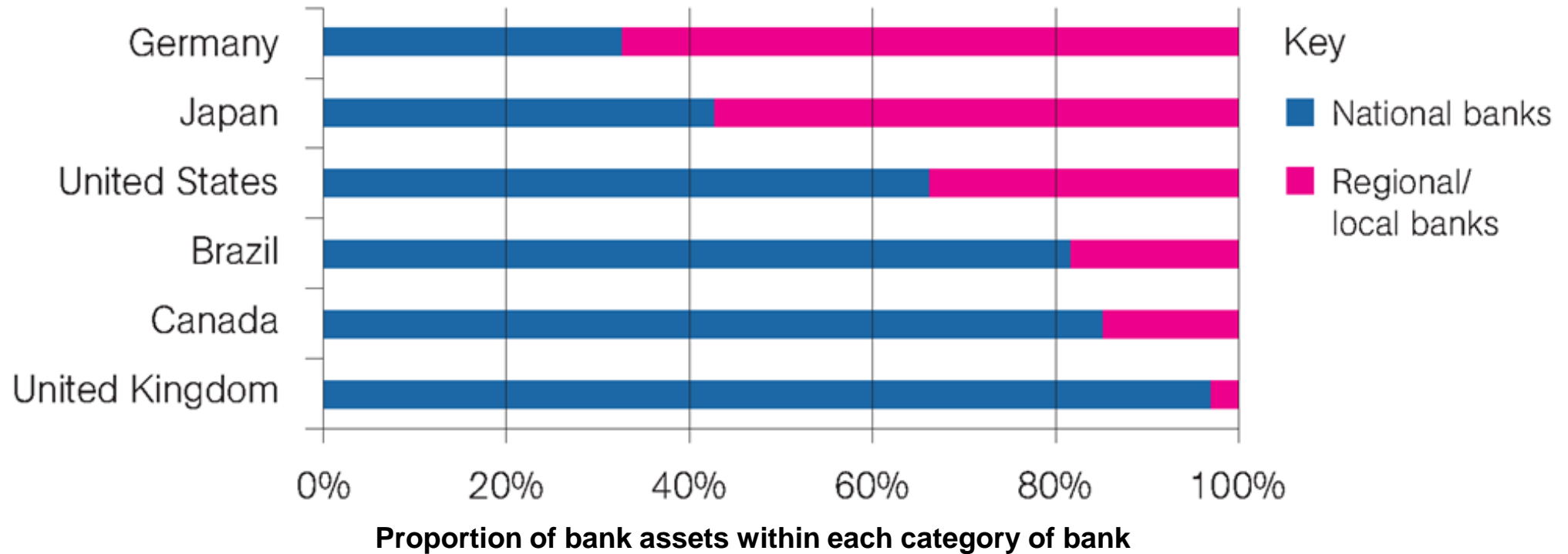
# The UK's lonely path – our unusual banking system



UK mutual sector is dominated by residential mortgage lending. By comparison Vancity (Can) is a \$26bn bank

Source: Greenham and Prieg (2015)

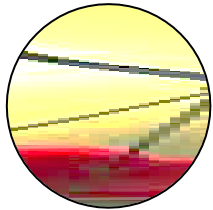
# Particularly with local/regional banks



Source: Greenham and Prieg (2015)

# Why is this a problem and why a regional co-operative bank?

## International Evidence



**Mission-led**



**Regional**



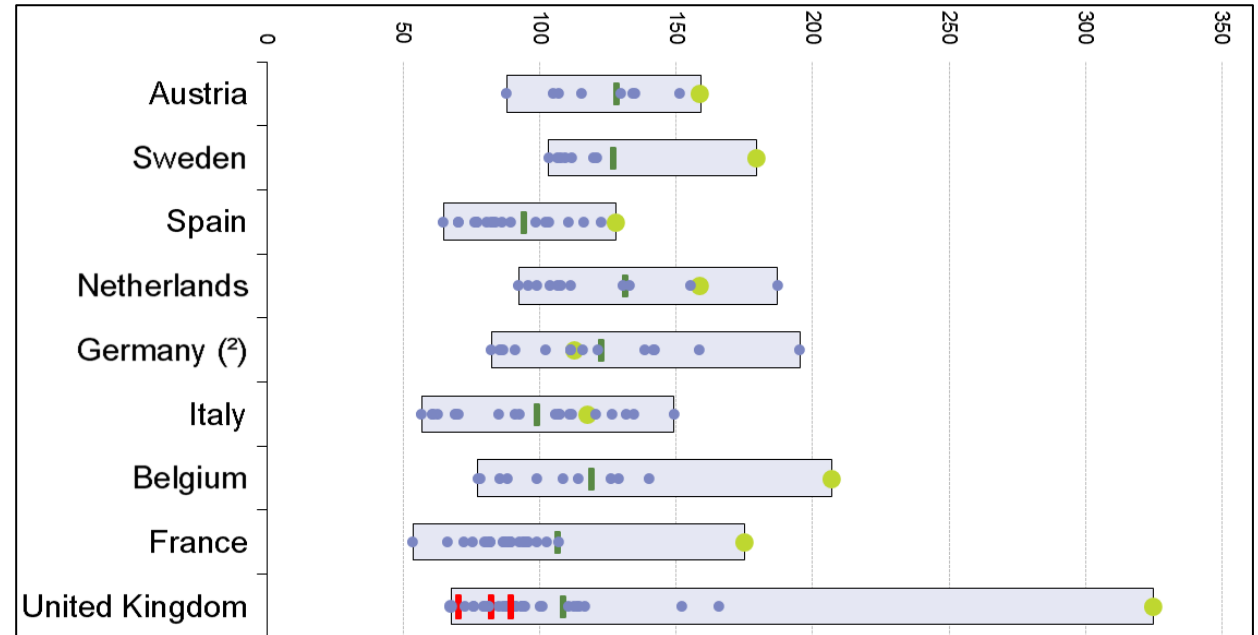
**Networks**

1. Redressing regional inequalities
2. Commitment to financial inclusion
3. Higher proportion of SME and 'real economy' lending
4. Building economic resilience
5. Putting customer service first
6. Rebuilding trust in banking

# (1) Tackling regional inequalities and building inclusive community wealth

- **London sucks wealth and economic power from the regions.** The UK's regional GVA (Gross Value Added) is **highly skewed towards London** compared to other counties.
- Studies in Italy and Germany found that **cooperative banks help reduce 'capital drain' to urban centres and capital cities** thus regional inequality, most probably because of their strong SME lending.

**Our bank will prevent such a capital drain and help create jobs and encourage people to stay in their local area.**



The light purple shaded bar shows the range of the highest to lowest region for each country. The dark green bar shows the national average. The light green circle shows the capital city region. The dark purple circles show the other regions.



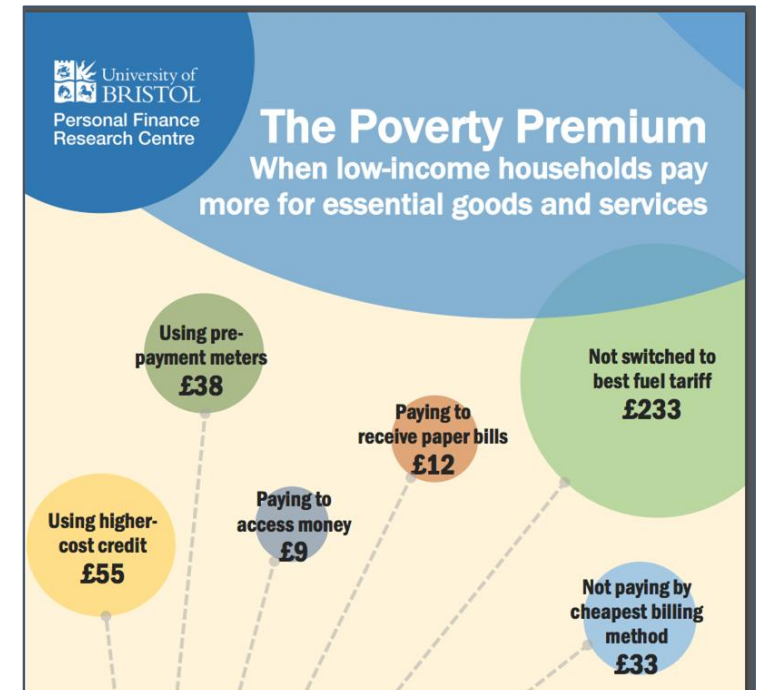
## (2) Because access to banking is a basic utility

*“The impacts of exclusion are not just financial but also affect education, employment, health, housing, and overall well-being.”*

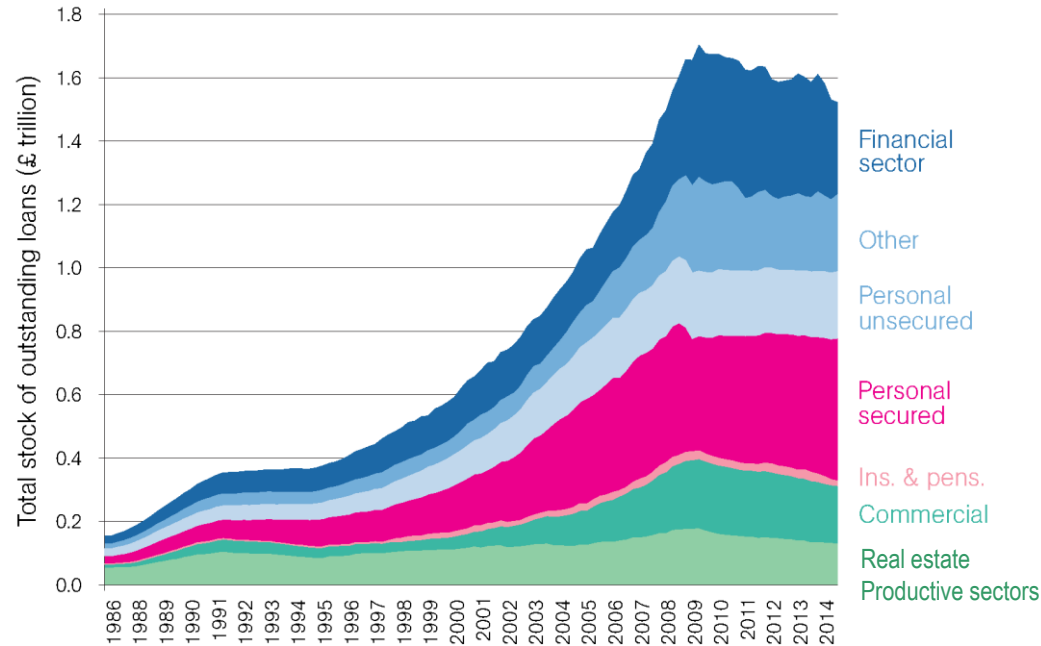
Financial Inclusion Commission

- There are **1.7m citizens without a bank account** in the UK
- According to Bristol University this leads to **an average £479 p.a. ‘poverty premium’ for such households** - for 10% of these households this rises to £780 p.a. and for **some households this premium rises to £2250 p.a.**
- A study in 2010 by Save the Children study put this average at £1300 p.a.
- 2.5m people are therefore using high-cost credit
- 400,000+ households are using high cost “rent-to-own” for essential household goods
- There are 16m people in the UK with savings of under £100
- Bristol University estimate that the **elimination of the poverty premium could potentially release an extra £4,000m per year into the local communities** and economies that need it the most.

We commit to giving everyone a bank account and our sophisticated jam jar accounts help with financial management and literacy

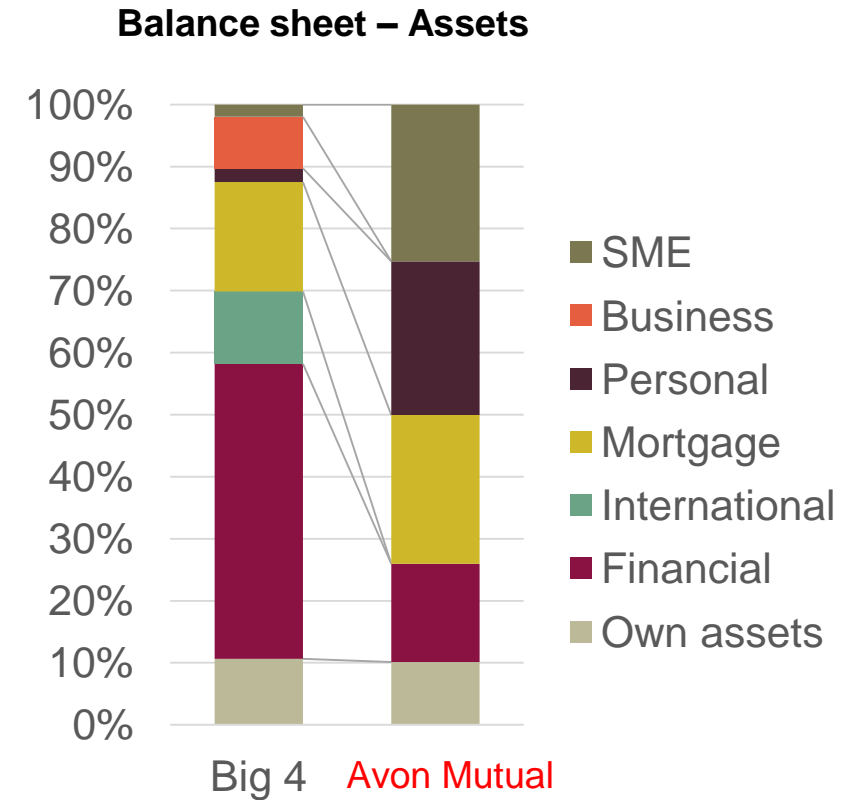


# (3) Supporting the real economy not speculation



- 83% of bank lending goes towards activities that do not directly support productivity or the majority of household incomes (Finance, Insurance, and Real Estate).

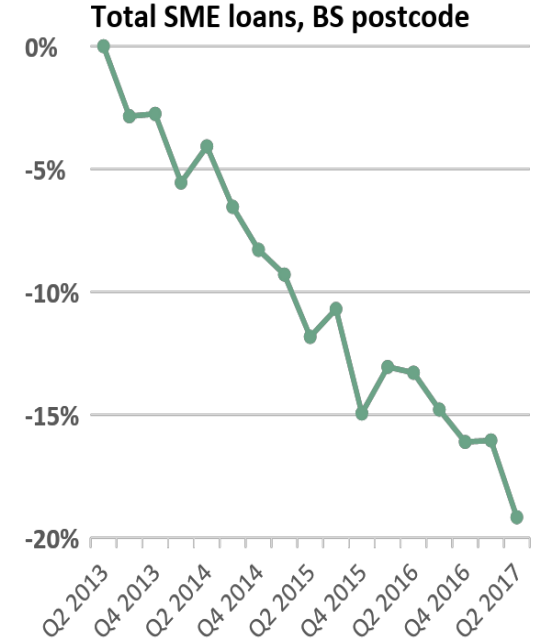
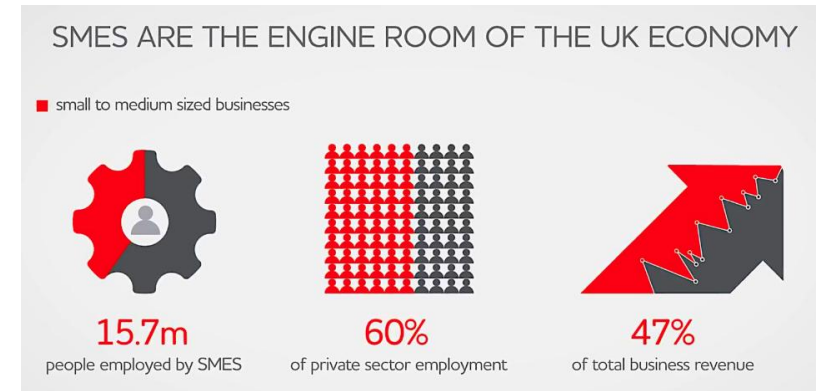
Our bank will lend to the real local economy not the 'financial' and speculative economy.



# (3) The impacts on SME's and the real economy

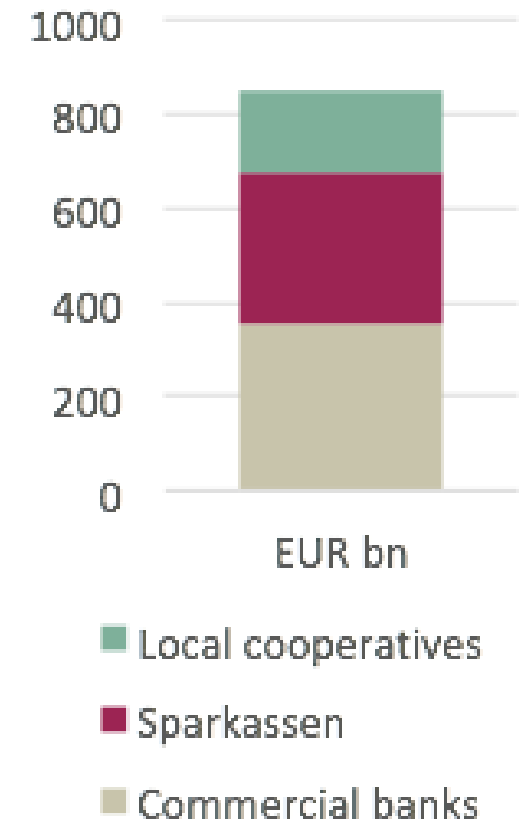
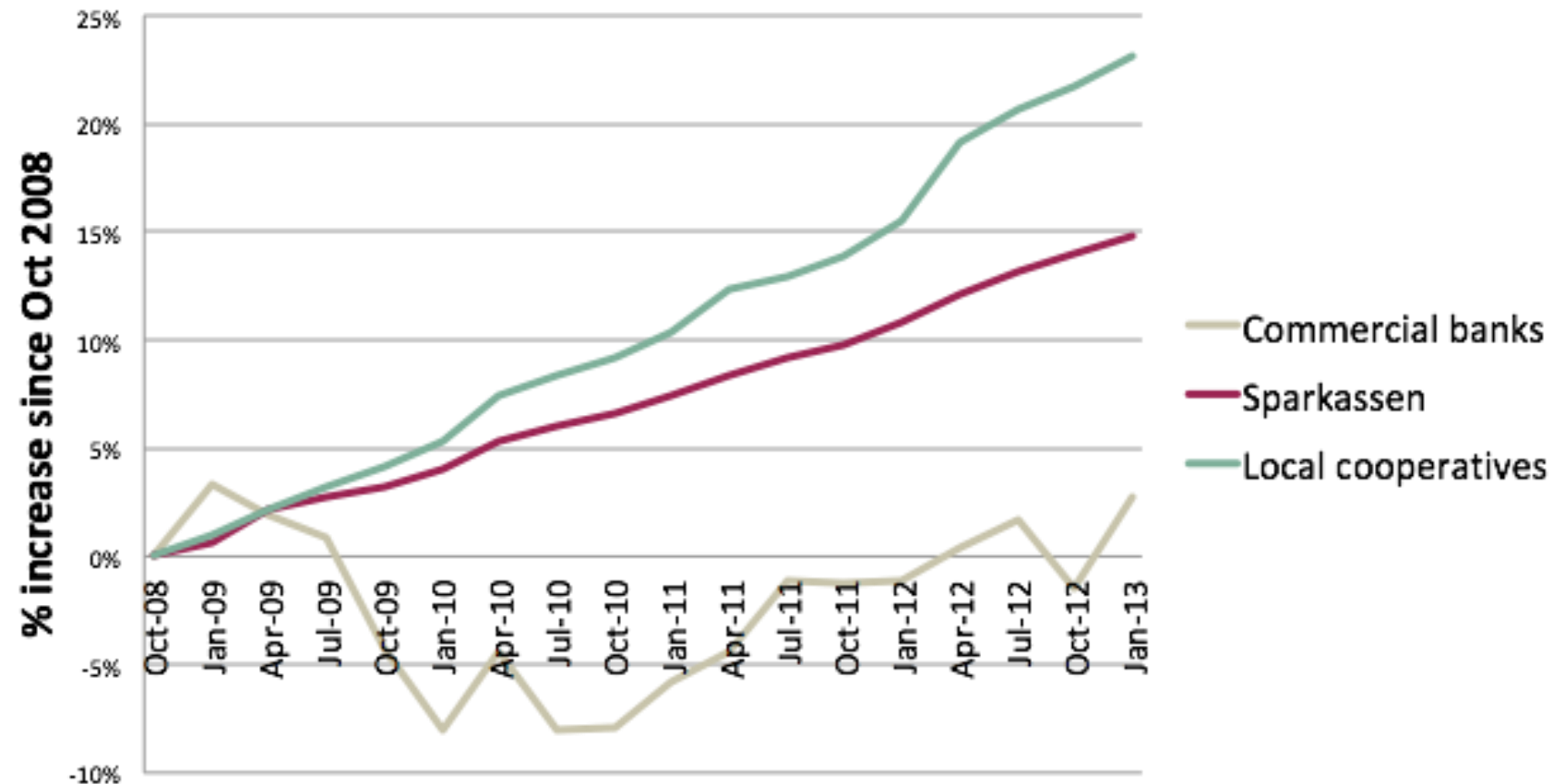
- **Only 2-3% of total bank lending in the UK goes to SMEs** - despite SMEs accounting for 99.9% of all businesses, 60% of employment, and 40% of annual turnover (or GDP) in the UK.
- SME lending is far higher in many EU countries where stakeholder banks account for nearly 50% of SME lending.
- Lower rates of SME lending **correlate with higher rates of SME failure.**

Small, local banks like ours with decision-making autonomy and **on the ground knowledge have an advantage** over local branches of a large, centralized nationwide bank and thus are able to lend far more to SMEs.



## (4) Because of economic resilience – no more boom and bust

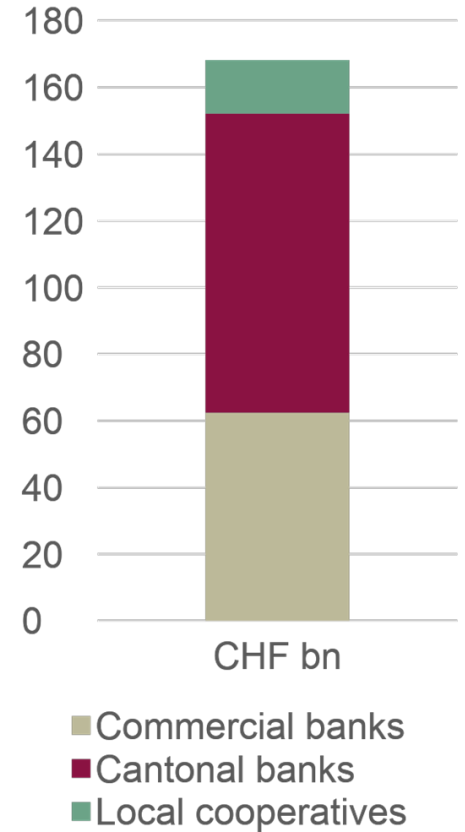
**German bank lending to domestic enterprises and self-employed**



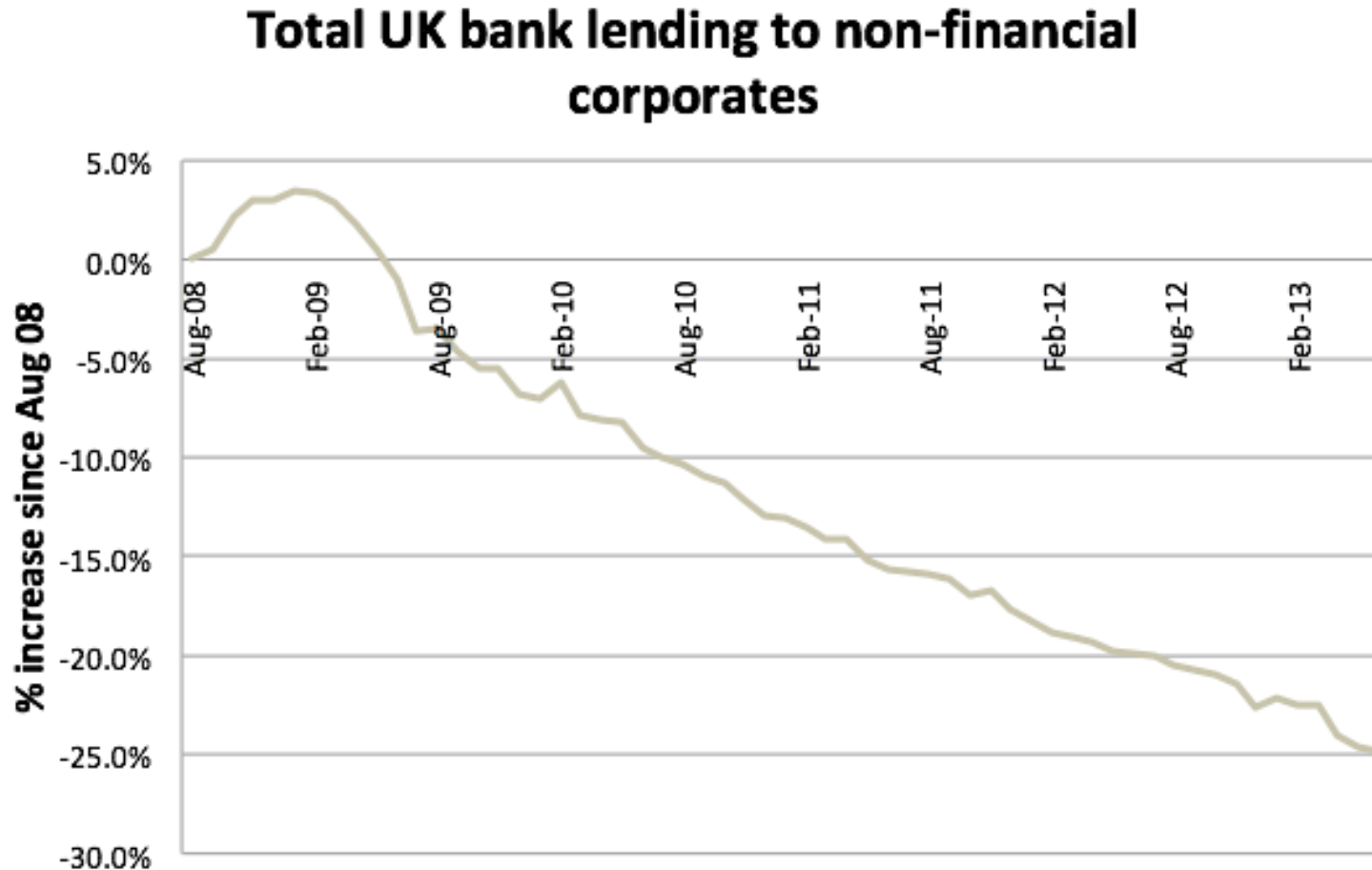


## (4) Economic resilience – no more boom and bust

### Swiss bank lending to non-financial corporates



## (4) Economic resilience – what about the UK.....



No Avon Mutuals to step in and take up the slack.....yet

## (5) Putting customer service first

### Branch access is still important for customers

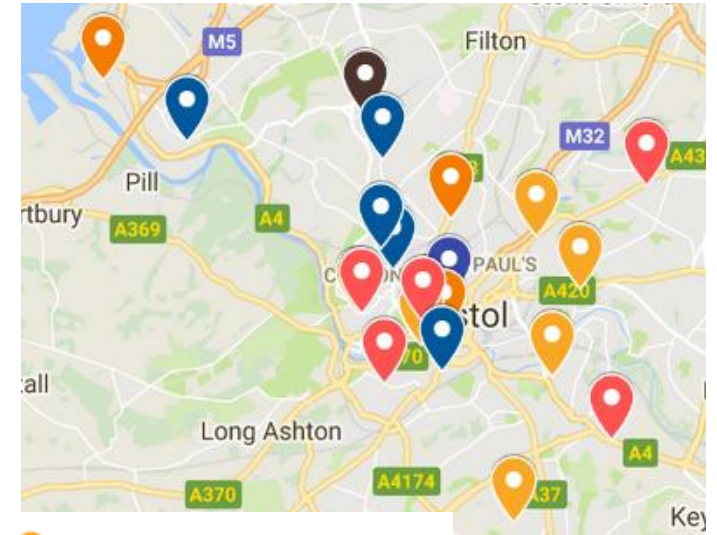
- UK losing 60 branches and 300 cash machines a month often in the poorest areas - this does not include reduced hours.
- Vulnerable customers and small businesses are reliant on branch facilities for banking takings and have to travel further for banking facilities.

### Customers value relationships and managers with power to take decisions

- **Human judgement has been replaced with algorithms**, chatbots and systems.
- This means that any person that does not fit the system is rejected, leaving many potential customers unserved or underserved.

Avon Mutual uses modern technology and a low-cost branch solution.

Branch closures in Bristol (2015-17)



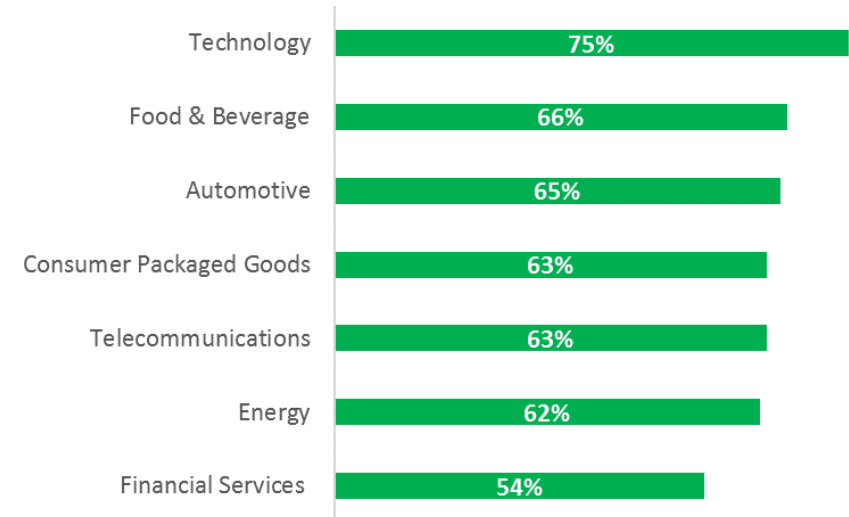
- Lloyds/Halifax (6)
- HSBC (5)
- RBS/Natwest (5)
- Barclays (3)
- Co-Op (1)
- Santander (1)
- TSB (1)
- Yorkshire Building Society (1)

## (6) Restoring trust in banking

Since the financial crisis and a series of scandals from PPI to interest rate swap mis-selling, trust in banks has fallen dramatically. This matters because if business and consumers lack faith in banks, they will not seek access to finance they need to make the most of economic opportunities. Avon Mutual is seeking to restore trust:

- Our customers are our shareholders
- We will not engage in financial trading and speculation
- No bonuses or sales incentives paid to staff
- Living wage employer
- Maximum 10x staff pay ratio top to bottom
- Board directly accountable to customers
- One member one vote
- Simple, honest and transparent charging structure
- No pressure to cross-sell financial products

Edelman Trust Barometer  
2017 Results



Do you trust your bank?	TRUST
Keeping my money safe	48%
Protecting my personal and financial information	43%
Providing me with truly unbiased advice suited to my needs	25%
Telling me if there is a better product for my needs/ situation even it means less money for them	21%

Source: EY Global bank survey 2016: Without it you're just another bank



# Our USP - critical success factors in our mission - the three P's



**PURPOSE** - mission-led, social and ecological



**PLACE** - regional focus only



**PARTICIPATION** - collaboration in networks



## 2. Introducing Avon Mutual: Products and Services

# Part of a wider national movement - bank in a box model

Until recently it was extremely difficult to start a new mutual bank because of hostile regulators, massive IT systems costs, inability to access payment systems controlled by the large banks, and co-ops were not permitted to have a banking licence.

However, since the financial crisis there has been a **political commitment to allowing new challenger banks, increasing availability of high spec off the shelf IT solutions, breaking up of the payments monopoly** and a **new law in 2014 that allow co-ops to become banks.**

The formation of the **Community Savings Bank Association (CSBA)** is the final development needed to start a new movement of 19 regional mutual banks.

Their highly experienced Board has created a comprehensive template to start a bank, including financial modelling and agreements with key suppliers – the ‘Bank in a Box’:

- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>📌 Cooperating Network Structure</li> <li>📌 Detailed Investment and Business Model</li> <li>📌 Working Pilot Bank Facility</li> <li>📌 HMRC agreed Corporate Tax Structure</li> <li>📌 FCA Approved Corporate Form &amp; Registration</li> <li>📌 Financial and Legal Advisors</li> <li>📌 Banking License Application Pack</li> </ul> | <ul style="list-style-type: none"> <li>📌 Banking Systems &amp; Hosting</li> <li>📌 Payment System Interfaces</li> <li>📌 Bank Operating Infrastructure</li> <li>📌 Technology Partnership Agreements – Specification, Installation, Pricing, Maintenance, Service Level Agreements</li> <li>📌 Product Specifications</li> <li>📌 Non-Banking Website – Specification, Pricing, Maintenance</li> </ul> |
|---|---|



## World class partners



Core banking system



Faster payments



Cards management



License & audit



Security & safe deposit boxes



Teller system



Social impact



Advocacy and support

# Community Savings Bank Association's board

- **Bill Atkinson** - worked for **Kodak** in the UK and Switzerland for over 26 years in initially sales and marketing senior roles, then after sales service developing their business to business service businesses across Europe and the UK. As Geneva based Vice President of Service and Support for Europe Bill had responsibility for providing customer service across multiple locations in a fast moving IT based industry. Since leaving Kodak bill has worked in **the fund raising department of a large international charity**.
- **Clive Bowles** - has over 26 years financial services industry experience, having worked with **Barclays Bank, the Bank of Nova Scotia, West Merchant Bank and Deloitte Touche** before establishing his own IT consultancy and software company in 1996. Misys Plc acquired his company in 2004 and since leaving Misys in 2007, Clive has continued to provide IT consulting services to various financial institutions in the UK and overseas on data migration, data warehousing, reporting, system selection and system integration. Clive is a **non executive director of Charity Bank** and of CAF Bank.
- **Mark Clarke** - has over 25 years banking sector experience as executive and non-executive director, management consultant and auditor. His banking career includes senior roles at **Kent Reliance Provident Society, Bank of Ireland UK, Abbey/Santander, Barclays and seven years with the old TSB**, as well as several years at PwC and Arthur Andersen & Co. His non-banking experience includes senior roles at the Department for Business, HM Treasury, House of Commons, British Chambers of Commerce, UCL, Jesus College Oxford and One Housing Group, and as a governor at Highgate school.
- **Jim Lindsay** - retired after almost 40 years in banking in early 2013. He was **Chief Executive of Airdrie Savings Bank** from 2000 until his retirement, and prior to that was with the Royal Bank of Scotland for 27 years starting as a management trainee, then branch manager, then Regional director for Glasgow before moving to corporate roles at the RBS Head Office and finally to to the position of Company Secretary of RBS plc. Jim is a Fellow of The Chartered Institute of Bankers in Scotland and was a member of the Council of that Institute for more than 20 years, serving as President from 2011 to 2013. Jim was a member of the Financial Services Advisory Board of the Scottish Government.
- **James Moore** - has over 25 years boardroom experience in international business in manufacturing, household goods retailing and financial services in the UK, Ireland, China, Europe and Africa having served on the boards of both private and public companies. Together with a German partner **he founded an international consumer retail, property and financial services business that grew in 10 years to a profitable turnover of just over €1.2 billion**.



# Introducing Avon Mutual

**A mission-led community-wealth building anchor institution promoting sustainable and equitable prosperity for the West of England**

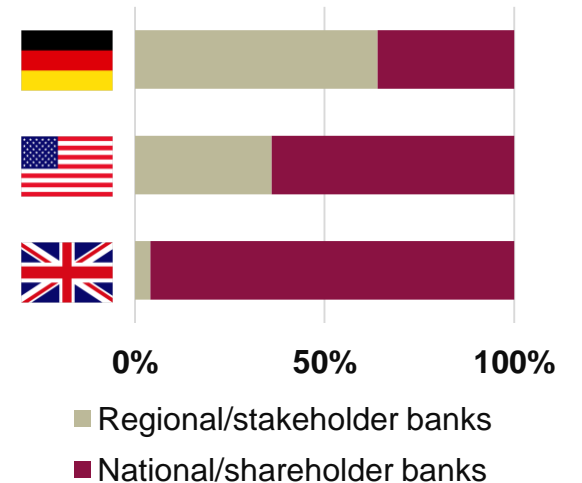
- First **customer-owned** regionally focused full service bank
- Serving **people of ordinary means, community groups, SMEs (SEMs) and social enterprises**
- Committed to a renaissance of **branches and relationship banking**
- **Scale and efficiency** – part of the CSBA network
- **Financial strength**: Profits £20m pa / loan book £430m by year 9
- Using the very **latest technology** mainstream banks will envy



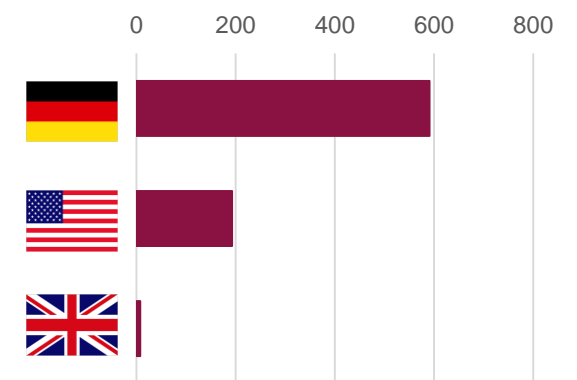
# Completing the community finance puzzle

- Credit unions and regional co-op banks are complementary
- They share mutuality, ethical values and a sense of place
- CUs serve local and vulnerable communities, but
  - do not offer current accounts, overdrafts or mortgages,
  - do not serve small business, and
  - are generally small scale and struggle for robust financial sustainability
- Regional co-operative banks
  - can act as bankers to credit unions
  - can provide current accounts to credit union members
  - are 10 or 100 times larger
  - achieve financial sustainability from their own profits
  - support local economies through small business banking

*Total bank deposits by bank type*



*Average assets of credit unions*



# Avon Mutual's Board



## DENA BRUMPTON

Recently retired after a long career in Citigroup and Barclays where she was most recently **CEO of Barclays Savings, Investment and Wealth** management. She has been recognised in Top 25 'Women of Inspiration and Enterprise' and City Power Woman. Dena is also a past member of Cancer Research UK Women of Influence Board.



## GRAHAM HUGHES

Is a qualified Solicitor and one of the **founding directors of Church House Trust plc, a bank** which was subsequently sold to Virgin Money plc. He also chairs the Remuneration Committee for a local **Hospital Foundation Trust and is a volunteer adviser at Citizens Advice.**



## TRACY MORSHEAD

Is Chair of Mortgage Brain and of the **National Friendly Society** and a NED with the **Newbury Building Society**. Tracy's career has included roles as MD of **Principality Building Society and at Nationwide**. Prior to working in financial services Tracy had a career in marketing with ITV and led marketing at board level for Grand Met.



## JULES PECK

Is Founding Director of Avon Mutual, Founder of the Real Economy Lab, a Board member of the New Economics Foundation, a Research Fellow on the future of the economy at the Democracy Collaborative's Next System Project, an Advisor to The B Team and a Fellow of the RSA.



## JOHN SCHOFIELD

is a NED and Audit Committee member at TPT Retirement solutions. With over 35 years experience in Financial Services both in the U.K. and overseas, he has held roles as Chief Risk Officer, Group Compliance Director and Chief Internal Auditor at organizations including **Ecclesiastical Insurance Group, Old Mutual/Skandia, St James Place Wealth Management, NatWest Bank and the London Stock Exchange.**

# Avon Mutual's Advisory Council

- We are also building an Advisory Council of advisors who are supporting us with a variety of pro bono support on issues such as PR, communications, branding, ethical policy, investment, legal, community engagement, fintech and business planning.



# Avon Mutual's growing band of supporters.....

Steve West, **Vice Chancellor** of the University of West of England and Chair of regional **LEP**; Canon Dr John Savage CBE, Chair West of England Initiative and Bristol Royal Infirmary; Darren Jones MP; Alex Chalk **MP**; Wera Hobhouse MP; Hugh Brady, **Vice Chancellor** of Bristol University; James Durie, **CEO of Business West**, The Initiative and Chambers of Commerce; David Owen, CEO of Gloucestershire **LEP**; **Ken Loach**, social campaigner and film director; Alan Bailey, Chairman Low Carbon SW and serial entrepreneur; Marcelle Spellor **OBE**, Founder Localgiving and trustee of New Philanthropy Capital; Jaya Chakrabarti, Board member of SWIG Finance; Jeremy Sell, Bath based growth, institutional investor and IPO expert; **Alastair Sawday**, publisher and environmentalist; James Moore, Founder, CSBA; Peter Capener, Founder Bristol and Bath Community Energy and Trustee at Power To Change; Alan Bec RSA SW Fellowship Councillor; John Pontin OBE; Dave White Founder and CEO White Bruce; Ian Townsend, **CEO** of Bristol Green Capital Partnership; Mohammed Sadiq, Chair **Bristol Green Capital Partnership**; Tony Greenham, Director of Economy, Enterprise and Manufacturing, RSA; Peter Lipman, Chair Transition Network; Rob Hopkins, **Founder of the Transition Towns** movement; Sir Jonathan Porritt, past Chair of SW RDA; Dave Hunter, Trustee Bristol Pound; Simon Cooper, **Society of Merchant Venturers**, chair of the Schumacher Society, director of Bristol Chamber of Commerce & Initiative; Peter Holbrook, **CEO Social Enterprise UK**; Andrew Garrad, Society of Merchant Venturers and Cabot Institute; Ken Simpson, Regional Chair of the Federation of Small Businesses; Seth Tabatznik, Founder of Berti Investments; Edward Hoare, banker and philanthropist; Colin Skellett, **CEO Wessex Water**; Professor Olinga Taeed, Founder Blockchain Alliance for Good; Barbara Mellish, President Blockchain Alliance for Good; Charlie Thomas, Fund Manager of Jupiter Ecology Fund and Jupiter Responsible Income Fund; Chris Coles, Bath social entrepreneur and finance sector specialist; Alastair Singleton, Founder Hanover Fox headhunters; Peter Macfadyen, ex-Mayor of Frome; Molly Scott-Cato MEP; Merlin Hyman, CEO Regen SW; Peter Madden OBE; Jamie Pike, Founder of **Bristol Coexist and Canteen**; Oliver Mochizuki, Founder and CEO of Fundsurfer; Ed Mayo, **Secretary General of Cooperatives UK**; Gavin Eddy, Social/Angel Investor; Tom Sain, Investment Manager; Tom Carnac, Mission 2020; James Perry and Charmian Love, **Co-Chairs of B Corps** UK; Paul Cobham, Social/Angel Investor; Stephen Dawson, Venture Capital pioneer and Angel Investor; Luke Lang, Co-Founder Crowdcube; Chris Shaw, Chairman of Savings Champion; Harry Partington, Chair Bristol Credit Union; David Freed, Founder Deeley Freed Estates and The Park Community Centre; Trevor Osbourne, Chair The Osbourne Group, Governor and Trustee of Bath Spa University, member of the Bath Initiative and Greater Bath Ltd; Henry Meakin, Founder, GWR.






# Avon Mutual in 2029

Our prudent financial plan is based on modest market share targets and slow but steady growth in deposits and loans.

Even these conservative projections show that in 10 years Avon Mutual will be a financial powerhouse for the region.

Financial and operating statistics	£m	Market share
Residential mortgages	£147m	0.3%
SME/SE loans	£144m	3.5%
Personal loans	£129m	8.2%
Customer deposits	£482m	0.7%
Personal members	69,300	3.1%
Corporate members	17,600	8.5%
Annual profits	£20m	
Equity Tier 1 ratio	>15%	
Cost/income ratio	50%	

<b>92 FTE Staff</b>	<b>9 Main Branches</b>
	
	<b>21 Satellite Branches</b>
<b>Member participation</b>	

Note: final branch locations will depend rigorous market assessment



## 3. Products and Services

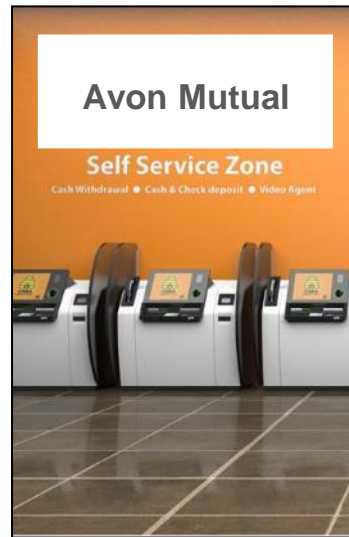
# Full range of services competing with high street banks

## Staffed branches



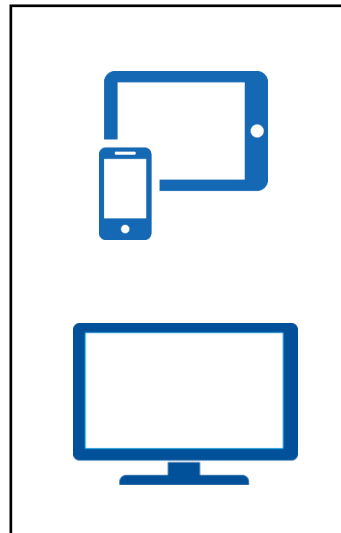
7 main branches act as sub-regional hubs. Branch director has autonomy over lending. Anchor for local relationships and knowledge.

## Satellite branches



21 high-tech satellites - access all the same services as in a main branch 24/7. Video link to talk to customer assistants. Low cost and can be co-located with community facilities.

## Digital channels



Multi-channel access to products and services by web online banking and banking app for mobile, tablet.

## Current accounts



Fixed, transparent and simple membership fee: Personal: £5 / month organisation: £10 / month.

Budgeting tools including analysis of expenditure and visualisations and 'Jam jar' functionality to improve control over finances.

Interest on whole combined balance across accounts, including current account

# Why a monthly charge? The myth of ‘free banking’

- The UK market for current accounts is unusual in its charging structure, with **apparently** free current accounts (Free-if-in-credit – FIIC) – most other countries charge for banking. FIIC account providers over-sell other complex and untransparent products to pay for the cost of such accounts.
- We charge a simple, transparent and honest fee of £5/month for personal, £10/month for organisations.
- Unlike most banks we **pay interest on current account balances** - a recent FCA report calculated that 90% of customers with FIIC accounts were effectively paying charges if foregone interest is included. As shown in the comparison with Lloyds and Natwest FIIC accounts, once the balance exceeds £1000 our account is **better value**. It is **much better value** for any customers who need an overdraft. The £5/month costs is outweighed by these benefits and the significantly reduced ‘poverty premium’ for poorer customers.
- Because we can offer a current account without requiring a minimum income or a credit check we can bank currently excluded customers who are **not allowed to have FIIC accounts** by the high street banks and who suffer a high poverty premium as a result.

We believe financial inclusion means equality of respect: the same service for all regardless of income, wealth or background.

*“It is a myth because nothing in life is free...this unclear picture may have encouraged the mis-selling now causing so much trouble.”*

Andrew Bailey, Chief Executive FCA on ‘free banking’  
29<sup>th</sup> June 2017



Bank	CSBA	Lloyds	Natwest
		Classic	Select
Monthly membership fee	(5.00)	-	-
Interest on £1,000 in current account	1.22	-	-
Cost of £500 overdraft for 15 days	(1.94)	(10.65)	(9.74)

- 44% of Free-If-In-Credit accounts attract overdraft charges
- 80% of consumers do not know what their overdraft charges are
- £2.9 billion paid in overdraft fees in 2014
- £4.3 billion interest foregone in 2014

# Business current accounts and overdrafts are key

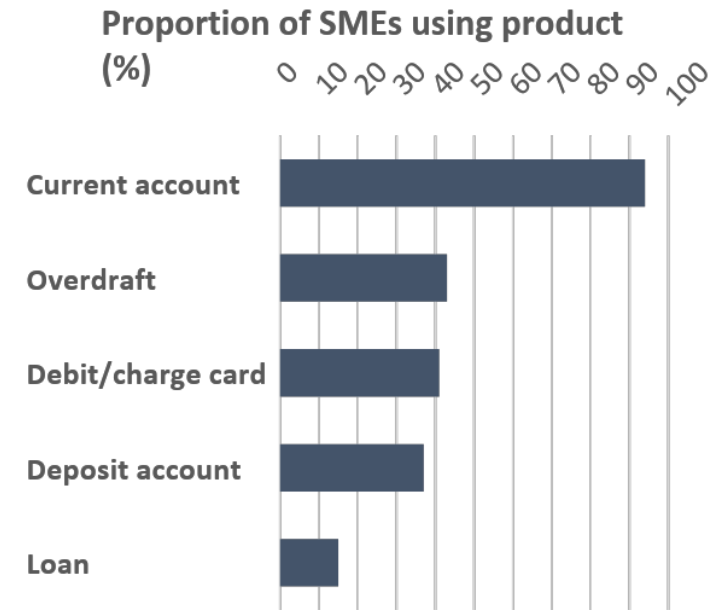
Small and medium businesses deposit more than they borrow e.g. in Bristol they deposit £645m more than they.

A key advantage of Avon Mutual is that it provides the products most needed by SMEs, **business current accounts, cards, overdrafts and branches.**

Our £10/month charge compares favourably with other banks because:

- Unlike other banks, we pay interest on current account balances.
- There are no complex additional charges, for example for paying in cash.
- The monthly charge funds the provision of branch services, which many SMEs rely on for cash banking facilities.

Although the ability to offer loans is important, and our relationship banking and local branch model will give us a competitive advantage in this respect, it is important to note that the **main credit product for SMEs is an overdraft**, which can only be provided directly by banks (and not by credit unions or loan funds).



Note: some small businesses use personal current accounts rather than business current accounts





## 4. Impact and investment case: the benefits for the region



# Social Impact – Consolidated Impact Areas

Avon Mutual is a mission-led bank, with financial inclusion built in to its structure and constitution. **It is part of our ethos to identify, target and report on our economic, social and environmental impacts.** The social impact measures shown below are illustrative as we intend to work with stakeholders to understand their strategic priorities and how we can contribute to their targets and develop measures that are specific and appropriate for the needs of the region.

## Individuals

Improved budgeting ability

Active saving

Lower debt costs

Bonuses & dividends

Improved wellbeing

Reduced poverty premium

Improved confidence

Focus on underserved

INDICATOR	BRISTOL est.
Individuals without bank account and so suffering the 'poverty premium'	12,000
Households without bank account and so suffering the 'poverty premium'	7,000
'Non-users' of the internet	60,000
Entirely dependent on cash	19,000
Consumers with indicators of potential vulnerability	183,000
Can't pay bills/debt in 3 out of last 6 months	29,000
Not able to find £200 at short notice	40,000
Little or no confidence in money management	88,000
Used unauthorised overdraft facility in last 12 months	22,000
Borrowing from friends and family in last 12 months	25,000

## SMEs

Access to branches

Increased trust in banks

Wage growth

Employment growth

Sales growth

Diversity of entrepreneurs

Increased local spending

# Banking and environmental stewardship

Two reasons for high standards of environmental stewardship:

- **Intrinsic** – it is the right thing to do for future generations
- **Instrumental** – full integration of ESG into risk assessment is better banking



BANK OF ENGLAND

## Climate change

*i* Climate change, and society's response to it, present financial risks relevant to the Bank's objectives. The Bank of England is carrying out ongoing work to assess and respond to climate-related financial risks.

## How do we do it?

- **Operations** – digital, branches and video
- **Exclusions** – eg no fossil fuel production
- **Credit assessment** – ESG risk impact
- **Positive selection** – backing the economy of the future, eg relocalisation, renewables

# Local authority and University investment - precedents

- In all cases the primary objective is to improve social and economic outcomes.
- Also yields a stream of income which can be applied to the council's strategic objectives.
- Approximately 90% of the required investment does not need to be drawn down until a provisional licence has been granted by the regulators.
- Given that the process of obtaining a licence is extremely rigorous and involves assessing business and financial viability, expertise of executives and Board and testing of operating procedures and IT systems, we believe this investment is lower risk than would be the case in most business start-ups.

Bank	Institution	Notes
<b>Hampshire Community Bank (Note 1)</b>	Portsmouth BC £5 million	Base case 6% and lower case 4% return over ten years. Capex funded by unsupported Prudential Borrowing Due diligence costs £25,000 from MT Resource Strategy Reserve. 'Spend to save' project
<b>Hampshire Community Bank</b>	Portsmouth, Winchester and Southampton Universities £750,000	
<b>Hampshire Community Bank (Note 1)</b>	Winchester £250,000 Test Valley £500,000	Capital receipts reserve. Using economic development powers under the general power of competence in S1 Localism Act 2011
<b>Redwood Bank</b>	Warrington BC £30,000,000	Bank will open a northern regional office in Warrington. Shortlisted in 'Innovation in Finance' category of 2017 MJ Local Government Achievement Awards
<b>Cambridgeshire Building Society</b>	Cambridgeshire LA Pension £15m	Investment
<b>Cambridge and Counties Bank</b>	Cambridgeshire LA Pension £12m Trinity Hall Cambridge Uni £12m	Joint owners of the Bank at 50% each. The Council also has another £12m non-equity investment.
<b>Greater London Mutual</b>	Four London Boroughs - £2-£5 million each	Staged investment 10:50:40 dependent on progress. First branches opened within investing Boroughs

# Our LA progress in other regions

## Supporting the Formation of South West Mutual

Appendix B of this report contains exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972

Report to:	<b>Hub Committee</b>
Date:	<b>20 November 2018</b>
Title:	<b>Supporting the formation of South West Mutual</b>
Portfolio Area:	<b>Economy – Cllr Robert Oxborough</b>
Wards Affected:	<b>All</b>
Relevant Scrutiny Committee:	<b>Overview &amp; Scrutiny Committee</b>
Approval and clearance obtained:	<b>Yes</b>
Urgent Decision:	<b>No</b>
Date next steps can be taken:	<b>After Full Council 4<sup>th</sup> December 2018</b>
Authors:	<b>Darren Arulvasagam</b> Group Manager, Business Development <a href="mailto:Darren.Arulvasagam@swdevon.gov.uk">Darren.Arulvasagam@swdevon.gov.uk</a>

**Recommendations:** The Hub committee RECOMMEND to Council to:

1. **APPROVE** the granting of £49,995 from the 2018/19 business rate pilot gain in order to support the formation of South West Mutual as detailed in section 3 and Appendix 2 of this report.
2. *(If 1 approved)* **DELEGATE** authority to the Group Manager, Business Development, to conclude the ordinary share acquisition
3. **AGREE** that, where possible, officers support the formation of the mutual by promoting it to local authorities within the South West

SW Devon's investment commitment.

## COMMUNITY BANKING

Traditional banks are retreating from communities across Wales. That leaves a serious gap in services for localities, especially for small business needing short term loans or overdrafts to help them survive and thrive.

At the same time, savings levels are below the level which would be best for the economy in Wales, and with withdrawal of banking facilities makes that problem worse.

We know that poorest individuals, especially those denied ordinary financial services, pay a 'poverty premium' - they pay more for things than people who are better off, and in a better position to pay.

### PRINCIPLES

We need a diverse set of financial institutions in Wales, to meet different needs. The Welsh Government has set up the Development Bank for Wales and it already provides a wide range of important services for established businesses, filling gaps in the market.

At the same time, we go on supporting credit unions in Wales to grow, and to provide affordable and accessible savings and loans facilities for people in work and in local communities.

Now we can go further in supporting the development of a new Wales-only Community Bank, with branches open to customers in different parts of our country, making funds available locally to small businesses and recycling local savings into local loans.

## PROPOSALS

1. Establish a Community Bank of Wales to be owned by its members, on a one-member-one-vote basis.
2. The Bank will offer current accounts to all local residents, regardless of income or wealth, tackling the poverty premium.
3. The Bank headquarters, as well as its branches, will be located in Wales. It will become an anchor Welsh institution, here today, and here for the long term.
4. The Bank will offer face-to-face banking to local customers and small businesses. Loan decisions will be made by skilled and experienced staff, not a computer-driven formula.
5. The Bank will be a living wage employer, with a fixed maximum ratio between the highest and lowest paid workers.
6. The Bank will begin to operate before the end of this Assembly term, spreading to the whole of Wales after the next Assembly election.

Welsh Finance Minister's commitment to invest

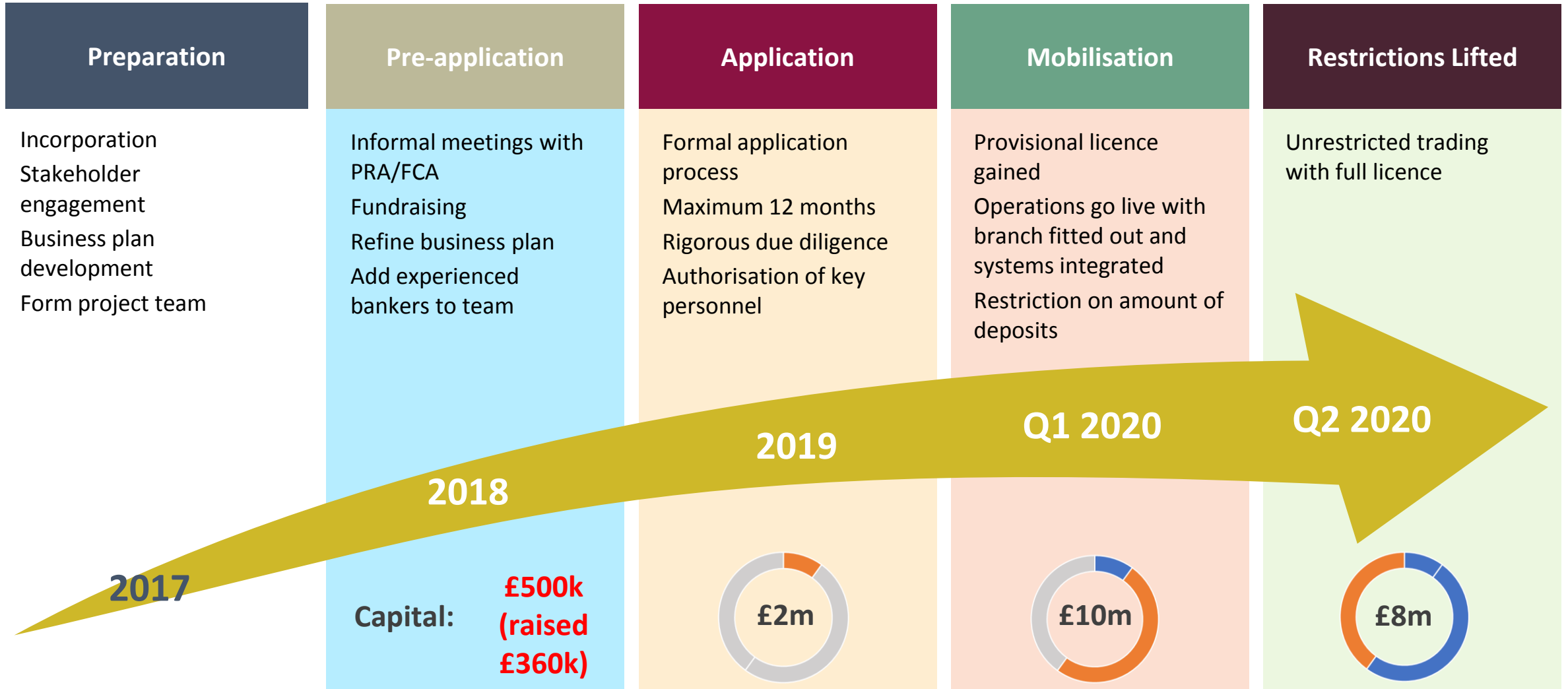


# Investment Offer

RETURNS	Financial	<ul style="list-style-type: none"><li>• We anticipate an initial <b>annual dividend of 7.5%</b> by year 5, with future increases related to share of profits. As we expect a high and growing dividend yield, moderate share price growth is likely over the medium term.</li><li>• Impact investors (such as local councils) can choose to recycle financial returns into further social impact in debt, poverty alleviation or financial capability and training.</li></ul>
	Economic	<ul style="list-style-type: none"><li>• Supporting local enterprises, business rates and employment.</li><li>• Boosting economic resilience during recessions, protecting jobs and incomes.</li><li>• Inclusive growth: spreading opportunities for locally driven business and employment.</li><li>• Recycling more spending and savings back into the Bristol economy.</li></ul>
	Social & environmental	<ul style="list-style-type: none"><li>• Tackling financial exclusion and problem debt.</li><li>• Improving financial capability and wellbeing.</li><li>• Restoring trust and building civic participation.</li><li>• Improved environmental and social performance.</li></ul>
EXIT ROUTE		<ul style="list-style-type: none"><li>• Trade with approx. 90,000 members projected by year 9 on an ethical share trading platform such as Ethex and SSX.</li></ul>

*This is not investment advice; it is non-binding and it is subject to T&Cs that are to be agreed separately*

# Timeline for investment and launch



**Thanks and please do get in touch.....**

**Contact us and register interest -  
[www.avonmutual.org](http://www.avonmutual.org)**

**[jules@avonmutual.org](mailto:jules@avonmutual.org)**