

Summary of Project to be Included in the Capital Programme

Project Title: Support for the Foundation of Avon Mutual

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Introduction to Project

It is proposed to buy an investment in share capital in Avon Mutual, an organisation set up to achieve a banking licence and deliver co-operative banking services across the region.

Financial

This investment will cost £50k and in return the Council will receive shares in the mutual. Investing in the early stage also brings additional shares as a recognition of the higher level of risk at this early stage.

If granted a licence and profitable the mutual will aim to pay dividends of around 7.5% per share. With the additional shares issued this means the Council may receive a return of around 20% per annum. The possible level of return should be regarded as a key indicator of the level of risk.

At this stage it is considered to be a high risk project and there is no certainty around dividends payable or the return of the original investment.

Funding for the project has been identified through the Business Rates pilot pot and the project is in line with the principles for the allocation of that funding.

Strategic Objectives

Support for the local economy is a key element of the Council's corporate delivery plan. A co-operative bank focused on lending to individuals and SMEs within the area, whilst also developing a local branch network, is likely to be of significant benefit to the economy of the district. Supporting the Avon Mutual at this early stage could be a key factor in helping to ensure success and boosting the economy of the district.

Closely linked to the support of the local economy is the recent Council motion reinforcing the importance of local wealth building. This is using the spending power of large organisations within an area to help drive the local economy. Co-operative banks are a key element of local wealth building and investing in Avon Mutual is regarded as an act of support for co-operative banking.

Capacity

There is sufficient capacity within the organisation to deliver this funding. Once invested the Council must consider its responsibilities as a shareholder and ensure these are met appropriately.

Monitoring and reporting on the performance of the mutual will take some officer time but it is not expected to be a significant drain on the resources of the Council.

The S151 Officer will fulfil the role of the Council's shareholder of the organisation and will report to Strategy and Resources Committee on the progress of the bank towards achieving its objectives.

Deliverability

There are no external factors which impact upon the ability of the Council to grant the funding. There will be external risk factors which the mutual must address in order to obtain a banking license and trade successfully. These factors must be identified and mitigated by the board.

Progress in establishing the co-operative bank and achieving a banking license to deliver on the mission of the organisation will be monitored and reported as appropriate.

Once established as a bank it is critical that they are successful in attracting new customers in order to ensure the success of their operations. The Bank must have a comprehensive marketing strategy and work with partner organisations achieve that success.

Future Monitoring

Once it is agreed by Council the investment will be made in Avon Mutual. As a shareholder the Council will receive updates and these will be reported to members. Updates which are of a commercially sensitive nature will be reported to members in confidence.