



Scottish Urban
Regeneration Forum

sharing experience : shaping practice



Banking on Regeneration SURF seminar - Report

Thursday August 12th 2004
COSLA Conference Centre, Rosebery House,
Haymarket Terrace, Edinburgh.

www.scotregen.co.uk



Banking on Regeneration

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Banking on Regeneration

1 SEMINAR CONTEXT

The role of commercial banks in helping to release the potential of, and to regenerate, disadvantaged communities is well recognised by the UK Treasury. So much so that Chancellor Gordon Brown, in his recent 2004 Spending Review, has returned to talk of legislation on the lines of the U.S.A. Community Reinvestment Act, to ensure banks engage more effectively with such communities and the various bodies working for their improvement.

The continuing disparity in the availability of financial services divides society, restricts personal, economic and business growth and hampers regeneration efforts. This is well understood by the Scottish Executive which has flagged up the importance of financial inclusion efforts, and connected it to their key regeneration policy of Community Planning as well as the 'Wider Role' guidance for Housing Associations and the 'Power of Well-being' given to Local Authorities in the 2003 Local Government Act.

This is not a one-way street. Community organisations have long been encouraged to consider how they can become more effective and sustainable by taking an increasingly business orientated approach to their operation and planning. Community Enterprises, and Housing Associations in particular, are repeatedly urged to look at how they can make the most of their expertise, their place in the market, and their assets, to provide inter-related, relevant and responsive, regeneration services.

In considering the role of the banks as partners in closing gaps in wealth, opportunities, access to services etc., it is worth bearing in mind some salient financial facts and figures:

- Some of Scotland's most successful companies are clearing banks, some with annual profits of up to £3.5bn.
- According to the most recent Scottish Household survey 49% of the nation's homes are surviving on a net income of less than 15K /year.
- As the Government moves towards paying all benefits via bank accounts, around 1 in 8 people still don't have one. This figure rises to 1 in 5 in Scotland's SIP areas, and close to 1 in 2 in Glasgow's SIP areas. (However, Post Office card accounts can provide an alternative in this instance.)

2 SEMINAR PURPOSE AND CONTENT

Purpose

In its information sharing and policy/practice feedback role, SURF organised a half-day seminar to examine the changing relationship between commercial banks and regeneration organisations, and the opportunities for making more of mutual interests.

Some of the questions the seminar attempted to address included:

- As commercial Banks become increasingly competitive and profitable, how can community regeneration organisations deal successfully with banks in commercial terms?
- How can ethical concerns be addressed in a banking business partnership?
- How can the not (only) for profit sector profit from capitalising on their assets?

Content

The format consisted of 3 key speakers, followed by an opportunity for participants to reflect on what they heard and to share their views and experience in facilitated discussion groups. The groups were encouraged to consider 'what works well and what needs to change' in the relationship between commercial banks and organisations working to a regeneration agenda.

3 KEY POINTS FROM THE INVITED SPEAKERS

SURF is grateful to the three invited speakers for their time in contributing to the seminar, they were:

Mike Chapman - Capital City Partnership Financial Inclusion Officer
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Mike has considerable experience in working with community organisations and the commercial banking sector to help create innovative financial inclusion solutions. He is currently developing a financial inclusion strategy for Edinburgh.

Mike's input focused on the following points:

- Exploring the trends – unmet banking needs in disadvantaged neighbourhoods
- PAT 14 – has UK Government policy made a difference or not?
- Banking beyond charity - making the business case for financial inclusion
- 'Wealth Capture' in distressed areas – international experiences
- Product innovations and community solutions

His main messages were:

- 1 Financial Inclusion is an issue that is moving up the political agenda.
- 2 The increasing interest in 'banking and regeneration' reflects a shift from 'bricks and mortar' only renewal strategies.
- 3 To overcome complex, and often inter-related problems like debt, access to affordable credit, provision of basic bank accounts and individual financial capabilities, requires innovation and positive thinking. (Think the unthinkable.
- 4 Holistic and cross-cutting. Financial inclusion should be viewed in terms of the provision of personal, business and community organisation finance.
- 5 Banking beyond charity. Think in terms of underserved markets.
- 6 Communities should seek to engage banks by researching, collating and putting forward a business case for partnership working.
- 7 Getting products and services right at the community level by providing toolkits for communities including: local asset mapping, strategies to enhance wealth recapture; capacity building for local intermediaries; work based learning and utilising new technology.

A questioner from the floor queried the wisdom of bringing commercial banks into disadvantaged areas since he believed they were significantly responsible for many debt related problems of individuals there through irresponsible promotion of lending.

Mike responded that it is essential to adopt a business approach to help manage the interaction of the banks with the community organisations that have a role in supporting local initiatives and individuals. He expressed the view that it was essential to ensure viable alternatives to some existing easy access, but excessively expensive, local credit facilities.

A copy of Mike's presentation slides is available at the end of this report. For further detail or clarification you can reach him at the following E. mail address and web site:

- E. Mail mikechapman@capitalcitypartnership.org.uk
- CCP web site www.capitalcitypartnership.org

David Cousland – Triodos Bank

David is the manager of the Triodos Bank for Scotland and the North East of England. The Triodos Bank has developed what it describes as 'a popular

approach to money'. It aims to 'help deliver positive change by exclusively financing projects that benefit people and the environment.'

David's input focused on the following points:

- The history of the Triodos bank - its motivation
- The range of services the bank can provide
- The bank's approach to lending and criteria used
- Specific examples of organisations the bank finances, highlighting this approach
- The bank's future role

His main messages were:

1. There are alternatives to the High Street banks, such as the Triodos Bank, who focus on lending to organizations that deliver significant social, environmental and cultural benefits.
2. The more personalised Triodos Bank approach supports the development of the social economy by engaging positively in the business development plan as part of the risk assessment process.
3. Triodos savers are offered a healthy interest rate but with the assurance/guarantee that the funds are being used positively, offering a social as well as a financial return. This is of interest to a growing number of people.
4. Triodos is an independent bank that has a long term commitment to the sectors in which it works, with over 20 years experience. It shares the values of its customers.

In response to a question from the floor David confirmed that decisions of the bank needed to be unanimously agreed by a credit committee of up to six individuals, and that the bank was regulated under Dutch law, consistent with European Parliament standards.

A copy of David's presentation slides is available at the end of this report. For further detail or clarification you can reach him at the following E. mail address and web site:

- E.Mail david.cousland@triodos.co.uk
- web site www.triodos.co.uk

Eoghan Howard –Wester Hailes Representative Council

As a community activist, Eoghan has been instrumental in developing the first formal Community Banking agreement outside of the USA. He has accumulated a broad understanding of relevant practice and an extensive network of contacts in community, banking, and political circles.

Eoghan focused on the following points within the context of the Wester Hailes Representative Council/Bank of Scotland Community Banking agreement:

- What was the approach used?
- What kick-started the process?
- What was achieved?
- What has been learned about such arrangements?
- What plans are there to build on the experience?

His main messages were:

1. Community organisations often have substantial under-recognised assets that can be used to negotiate improved financial services for individuals, organisations and businesses in their localities by collectively agreeing on their selection of banking provider(s).
2. Such collective negotiations force the banks to become more entrepreneurial and compete for the lucrative business of regeneration by also having to provide what they may otherwise see as marginal or unwelcome activities.
3. All larger or smaller community organisations have a role to play in this process - either through their own organisational gains, improved financial services for their client groups, or by providing added value to the wider areas in which they operate.
4. Specific attention should be paid to tackling the personal and enterprise financial exclusion issues experienced by particular groups such as younger people, older people, ethnic minority communities and people with disabilities etc. - all with different needs at different times.
5. To achieve full impact, cross-sectoral banking arrangements require the participation of a wide range of local and central government agencies (UK and Scottish) and other public bodies such as the enterprise agencies - all of which can gain and contribute to shared aims and needs. This links closely to the joined up government intentions of Community Planning with practical private sector involvement.
6. Positive engagement between communities and the banks can be extended from the provision of banking services to other mutually beneficial activities - examples including local access to training and employment opportunities in the finance sector, volunteering and secondments, and advertising of local business services to banking staff.
7. Further opportunities also exist for different communities to link up to increase their collective negotiating power and, in particular, for public agencies and local authorities to learn from the concept and include financial inclusion provisions when determining their own substantial banking requirements on a regular statutory basis.

A copy of Eoghans presentation slides is available at the end of this report. For further detail or clarification you can reach him at the following E.mail address and web site:

- E. Mail eoghan@myedinburgh.org
- web site www.repcouncil.org

4 DISCUSSION GROUPS FEEDBACK

Group 1	Facilitator - Andy Milne, SURF
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Top 5 points:

- Financial literacy should form part of the core school curriculum.
- There should be more exposure of, and campaigning against, bodies charging excessive interest rates.
- There are a range of financial advice and education activities and initiatives, but they lack a coherent and interactive structure.
- A more co-ordinated approach should be delivered via trusted local intermediaries.
- Local Authorities should use their considerable financial muscle to negotiate with banks for the delivery of specific improvements in financial services for disadvantaged communities in their area.

Additional comments

Some participants suggested that the imposition of a windfall tax on the most profitable banks would be a popular and justified policy.

There was also some discussion on the need for the Scottish Executive and Local Authorities re-examine how some of their policies and practice contributed to money management problems for individuals in financial difficulties.

Group 2	Facilitator - Edward Harkins, SURF
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Top 5 points:

- We need to all keep working and reworking models and templates – they will always change and develop according to circumstances, policies and needs.
- Communities need help and support to be players in the financial world; but there is an equally pressing need for a change of mindsets or cultures within the public and private sector organisations
- We must not lose sight of the ‘real world’ need for a coherent and sustainable basis for financial transactions. This can be a difficult challenge for (highly motivated) community representatives.
- New people are arriving in ‘the business’ all the time. This is often recognised in a community volunteer context, it’s less recognised in the context of professionals working for agencies and companies. One consequence is the ongoing need for sharing and dissemination of practice.

- The legal and other regulatory issues around Credit Unions is seen as a priority at this time. Uncertainty is acting as a strong constraint on Credit Union growth and development in the U.K.

Additional comments

A consistent note struck during this workshop was the need for all concerned to stay as open minded, adaptable and development-focused as possible. A striking innovatory bank franchising scheme for local communities in Australia (the Bendigo banks' community banking programme – www.communitybank.com.au/public/) was cited as an example of the exciting possibilities to be found further afield.

Group 3	Facilitator - Keith Wimbles, SCVO
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Top 5 points:

- Financial education should be introduced as early as possible into schools.
- It is unclear who or what agency has responsibility for developing and implementing a national financial inclusion strategy.
- There may be a case for a financial inclusion task force to access and build on the increasing body of research and practice.
- Financial services in communities could be developed on the basis of franchising arrangements with commercial banks.
- Banks should be involved in developing mechanisms to encourage saving within low-income families.

Additional comments

There was some question as to what scope there is for any saving activity at all amongst low-income groups.

5 SUMMARY

The seminar was generally well received as an opportunity for colleagues from different sectors involved in promoting financial inclusion to learn of current practice, to share views ideas and to make new contacts.

It was noted that a significant role is played by credit unions and voluntary sector financial inclusion organisations in some communities, but the focus of the seminar was on linking productively with the much larger resources of the commercial banking sector.

The contributions of the guest speakers and the subsequent discussion groups produced a number of relevant observations and potentially helpful ideas. These could be summarised as follows:

- It is perhaps worth noting first that beyond the terms we use, such as financial and social exclusion, marginalised groups and disadvantaged

communities, the fundamental problem is still one of poverty, a lack of money. This needs to continue to be tackled at a strategic political level, otherwise financial inclusion efforts risk being seen as little more than a diversion from the main problem.

- There is a range of constructive government policies aimed at addressing problems of poverty. However, attention also needs to be given to the way in which some government policies and practices can increase the difficulties for individuals and families with very limited resources. These would include the very low level of main benefits and inefficiencies in the timely payment of these, especially housing benefit. Such delays or underpayments can easily tip those on the financial edge into a downward spiral of debt with significant implications in terms of future monetary and social costs.
- There was concern at the effects of increased aggressive loan marketing by the banks, and scepticism as to their commitment to engaging with communities and regeneration organisations in a way that transcends public relations considerations. Despite this, it was felt that there is significant scope for working more productively with key individuals in the banks at the strategic and implementation levels to develop effective cross cutting strategies in promoting financial inclusion.
- If it remains difficult to increase the inflow, valuable efforts can still be made to reduce the outgoings from homes and communities by taking steps to support local intermediary organisations in marginalising the attractiveness of easy local, but crushingly expensive, credit companies and individuals.
- In matching reasonable government aspirations to manage all benefit payments via bank (and post office accounts), community organisations should be actively supported in developing a business based partnership approach with banks. See the 'tool kits' referred to by Mike Chapman above.
- Community organisations, and in particular community based Housing Associations, are in an excellent position to act a centre of gravity to pull together community assets and initiate negotiations with the banks on improved local services rates and support within a business based agreement. They should be given further support encouragement to do so under their 'wider action' role.
- If the above has already been shown to work on the limited scale of community resources associated with the successful Wester Hailes Community Banking agreement with the Bank of Scotland, what is the scope for Scotland's local authorities to negotiate banking agreements for well targeted services and support for their more marginalised communities? This would be an excellent, and potentially cost free, benefit arising from imaginative use of the power of well being with which the Scottish Executive has endowed all local authorities. Initial

discussions on the potential approach and the support available should be taken up between COSLA and the Scottish Executive.

- The stick of potential legislation on Banks failing to engage effectively in disadvantaged communities, which was raised again in the Chancellors recent spending review statement, should not be dropped. Equally, it was argued that a windfall tax on excessively profitable banking institutions should be considered.
- As is often the case, education is considered as key to a longer-term solution, and increased input in schools is vital to match the relentless consumerisation of young children and a general lack of financial literacy. More broadly, the range of advice and support to communities on budgeting and financial literacy needs to be adequately resourced and delivered in a co-ordinated fashion through trusted local community organisations. Some encouragement in this direction is taken from the increased references to financial inclusion in connection with the Community Regeneration Fund and Community Planning guidance.

6 SHARING INFORMATION: SHAPING PRACTICE

SURF acts as a channel for ideas, views and constructive comment between regeneration practitioners and policy makers. This report will be circulated to participants, SURF members and key decision makers. Any comments on its contents, information regarding links to related work/studies, or suggestions for further action will be welcomed. You can get these to us by E. mailing SURF at info@scotregen.co.uk.

This report, and more information about SURF and its work, is on our web site at www.scotregen.co.uk.

Andy Milne - SURF Chief Executive - September 2004

APPENDIX (i) Copies of Speakers' presentation slides

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Banking on Regeneration
A SURF seminar

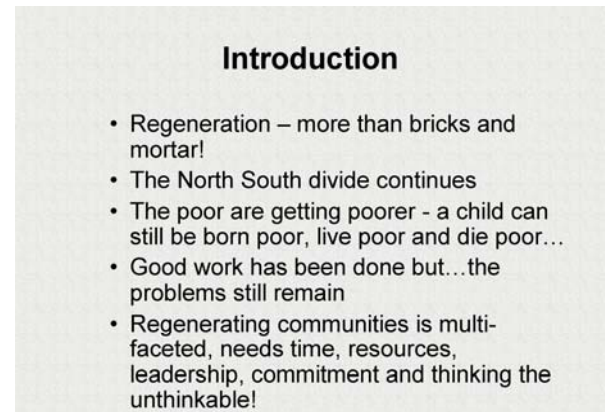
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Policy made a difference?

- Financial Inclusion – is on the political and regeneration agenda
- PAT 14 / PAT 3 Reports
- Financial Services – a basic requirement for all
- Move away from – numbers of Basic Bank Accounts
- Cross cutting issue – personal, business and community finance
- Employability and self-employment
- Health issues
- Financial Capabilities

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Banking beyond charity

- Need to think in terms of under served markets
- Communities engaging with banks..... putting the business case!
- Local Asset Mapping and 'Wealth Recapture'
- New products and services...the role of the local intermediary to reduce risk
- Work based learning/ new technology?
- Think the unthinkable!!!

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Scottish Urban Regeneration Forum
SURF - sharing experience - shaping practice

Beyond Corporate Social Responsibility

David Cousland
Scotland and North East England
Manager
Triodos Bank

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Scottish Urban Regeneration Forum

David Cousland
Regional Manager
Scotland and North East England

12 August 2004

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Triodos Bank

- Independent international financial institution
- Founded in The Netherlands in 1980
- Offices in The Netherlands, UK, Belgium, Spain (2004)
- Activities in Ireland, France, Germany and the developing world
- Fully authorised European bank

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How does it work?

We take money from people who want their money to make a positive difference...

...and *only* lend it to projects bringing social, environmental and cultural benefits

*Essential Trading Company
Bristol*

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Why we are different

- Positive social investment
- A transparent approach to money
- Human approach

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What we do

- **Full banking service** to organisations: overdrafts, loans, current and deposit accounts
- **Savings accounts** for personal customers: to lend out to specific areas e.g Friends of the Earth.
- **Investment Banking** - advice on share issues
- **International activities**- microcredit, ethical investment funds

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Partnerships

Money can be a powerful agent of change through;

- Regular savers, ISAs, targeted accounts
- Investments - shares & bonds

"We think many of our supporters will want to fight human rights abuses in this innovative way."

Kate Allen, Director, AI

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Corporate Finance

Triodos Bank sponsored the Fairtrade pioneers, Cafedirect Share Issue, raising £5 million in May 2004 to help grow their Business

(pic: Tanzanian tea producer, Cecilia Mwembule)

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The sectors we work in

- Communities
 - Social/Eco Housing
 - Organic Food and Farming
 - Sustainable Energy
 - Fairtrade
 - Arts and Culture
- 60% of borrowers are charities

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Our Criteria

1. What is the added value?
2. Financial risk/assessment
 - Track record
 - Affordability
 - Market
 - Management
 - Security- normally fully secured

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How we can make a difference

- Shared values/vision with our customers.
- 20 years of experience of sectors.
- Long term commitment- shares held in trust, not profit maximisation
- Human approach
- Connecting organisations to a growing number of savers e.g. Soil Association

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Out of the Blue Arts and Education Trust

Aim of making the Arts more accessible
Provides space for artists, office space,
community arts projects, social inclusion

Worked in partnership with SAC and Social
Investment Scotland
Flexibility of loan required

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Brixton Cycles

- Cycle shop, London, established 20 years
- Worker's co-op
- Funding to relocate shop within Brixton
- No real assets
- Triodos loan secured by group of 18 guarantors

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Laggan Community Trading

- Track record in community projects
- Community shop
- Renovate empty cottages
- Increase rural housing provision
- Triodos Bank completed the funding package
- Willingness of all parties to make it work.

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Future Role

- Explore new branches in E.U. countries
- Grow the loan portfolio
- Focus on sectors that have growth potential where we have built up expertise
- New products e.g. internet banking

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Future Role (Scotland)

- Grow the Scottish loan portfolio
- Establish relationships & partners throughout Scotland
- Influence Scottish decision makers, become part of the Scottish community
- Identify where we can make a real difference

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Making the Connections

Eoghan Howard
 Community Banking Activist
 Wester Hailes Representative
 Council

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Wester Hailes Community Banking Agreement

TACKLING FINANCIAL EXCLUSION IN
 WEST EDINBURGH

Taking everyone into account

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Identifying the Problem

- 17% of the population had no bank account
- 8% had been refused a bank account
- 47% with no savings (83% < £500)
- 3% with savings over £5,000 (SHS = 61%)
- 50% with no home contents insurance
- 51% using high-cost retail credit
- 3,000 debt related enquiries a year at CHAI
- £9,000 average household income

1999/2000

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Opportunities for Change

- Community Organisations turnover of £5 million
- Commercial borrowings of £6 million
- Tangible assets of £8 million
- Domestic household income of £45 million
- 26% interested in business start

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The Approach Used

- General information gathering
- Baseline Study
- 'Tendering' Process
- Linkage of personal, business and organisational needs
- Working with other local groups
- Cross-sectoral action

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- ### Some Outcomes to date
- Over 1,700 bank accounts opened in West Edinburgh
 - Innovative Savings and Loans Scheme with Prospect Community Housing
 - Entrepreneurial events and business start-up
 - Financial literacy and asset building courses
 - 200+ local people at community presentations
 - Several awards for BoS
 - Early commercial gains for BoS

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- ### Further 'External' Outcomes
- Influencing BoS Strategy
 - Citywide 'Rollout'
 - Inter-bank competition
 - Wider UK and US interest

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- ### Current and Intended Action
- Targeting particular social groups
 - Linking up with mainstream public services
 - Preparation for/implementation of UK strategies and initiatives
 - Working with similar initiatives elsewhere
 - Widening action to include further opportunities, e.g. training and recruitment in financial services and digital inclusion/on-line banking, etc.

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- ### Key Principles
- Disadvantaged communities have under-recognised assets that can be used to collectively negotiate improved financial services from private sector providers
 - All community/voluntary sector organisations have a potential role to play in tackling financial exclusion for themselves, their user groups and the areas they serve
 - There is a further often underestimated relationship between financial inclusion/exclusion issues and most, if not all, 'mainstream' public services at local and central government levels

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- ### Justification of Approach?
- Measurable and perceived local impact
 - Cost effective
 - Cross-sectoral 'Buy in' and tangible shared benefits
 - Sustainability
 - Precedent for other social inclusion strategies?

APPENDIX (ii)

Delegate List

Scott Anderson, Chief Executive, Social Investment Scotland
Mr Robert Cairns, Treasurer, Access North Ayr
Stuart Callison, Deputy Chief Executive, The Initiative
Robbie Clyde, Financial Inclusion Team, Scottish Executive
Mr Philip Dunion, Apex Scotland
Ian Eccles, Glasgow Housing Association, Limited
David Fletcher, Glasgow Housing Association Limited
Sheila Maxwell, Development Officer, Falkirk Council
Shona Gronbach, Regeneration & Empowerment Manager,
Communities Scotland
Angus Hardie, Director, Development Trusts Association
Mr Jim Hendry, Vice-Chair, Access North Ayr
Brenda Higgins, Director, Linkwide
Mario Holligan, Project Accountant, EDI Group
Ian Johnson, Corporate Strategist, Communities Scotland
Naomi Ludlam, Research Assistant, Royal Bank of Scotland Centre
for Community Arts Research & Practice
Alan McGuckin, Chief Executive, Kingdom Housing Association
John McNeill, Regeneration Executive, Eyemouth East Berwick
Partnership
Allan Moyes, Partnership & Development Manager, East
Dunbartonshire Council
Eric Munro, Head of Community Development Finance, Royal Bank
of Scotland
Stephen Phillips, Partner, Burness Solicitors
Ursula Pretsch, Development Manager, Forth Sector

John Quinn, Craigmillar Project Leader, EDI Group
Christine Reid, Development Officer, Glasgow City Council
Murray Richardson, Director, Cloch Housing Association
Tim Sammon, Edinburgh University Management School
Karen Shaw, Asst. Project Co-ordinator, East Dunbartonshire
Council
Duncan Sloan, Director of Community Finance, Royal Bank of
Scotland
Martyn Sloan, Dundee Social Inclusion Partnership
Mr Rupert Warren, Housing Department, City of Edinburgh Council
Murray Webster, Dundee Social Inclusion Partnership
Ms Jackie Weir, Financial Inclusion Worker, Great Northern
Partnership

Speakers

Mike Chapman, Financial Inclusion Officer, Capital City Partnership
David Cousland, Manager, Triodos Bank
Eoghan Howard, Community Banking Activist, Wester Hailes
Representative Council

Workshop Facilitators

Andy Milne, Chief Executive, SURF
Edward Harkins, Network Initiatives Officer, SURF
Keith Wimbles, Programmes Manager, SCVO

The Scottish Urban Regeneration Forum (SURF) is the independent regeneration and inclusion network, sharing information and promoting discussion to help shape, policy, opinion and the delivery of successful regeneration efforts in Scotland.

SURF appreciates the support of its sponsoring members who are:



SCOTTISH EXECUTIVE

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