

Meeting: Cabinet

Date: 18 May 2021

Wards Affected: All Wards in Torbay

Report Title: Turning the Tide on Poverty – Financial Issues

Is the decision a key decision? No

When does the decision need to be implemented? Immediate

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1. Purpose and Introduction

- 1.1 This report provides Members with a number of options linked to community engagement, the council's green agenda and turning the tide on poverty.

2. Proposed Decision

- 2.1 that, subject to due diligence, the Council invests £25,000 into the South West Mutual Bank to be funded from the 2021/22 budget contingency.
- 2.2 that, subject to agreement with credit unions, the Council invests £10,000 into existing credit union(s) working in Torbay to provide a Torbay specific gateway for our residents to be funded from the 2021/22 budget contingency.
- 2.3 that, subject to due diligence, the Council contracts with a provider to issue and manage a Green Bond up to a value of £1m to fund Council "green" capital projects with guaranteed minimum returns for Torbay residents to invest in on a nil cost basis for the Council.

3. Reason for Decision

- 3.1 to provide the funding and approval for three initiatives to support both community engagement, the council's green agenda and turning the tide on poverty.

Supporting Information

4. South West Mutual Bank

4.1 This is a co-operative bank that is seeking to establish itself to provide a local alternative for banking facilities. The bank is now at the second stage of its set up and will apply for a banking license. It is expected to go live in 2022. The Partnership wish to support the second phase of the fund raising to establish the Mutual.

4.2 <https://southwestmutual.co.uk/>. Their website states their intentions as:

“We aim to be the only cooperative High Street bank focused solely on the South West.

We exist to help the people of the South West live fulfilling and meaningful lives, to get the most out of the place that they love and put the most back in to support the local economy. Our customers will also be our members meaning local people get a vote and a voice in everything that we do.

By building real relationships, focusing on helping individuals, families, SME’s and social enterprises to thrive, committing to branches and mirroring that experience through mobile and online technology. We aim to ‘Rediscover Real Banking For All’.

Through all our work, we understand our role in promoting sustainable practices, helping the area transition to a carbon neutral economy.

We aim to be your dedicated West Country bank.”

4.3 As the bank does not have a license yet, the council will be investing in the bank “at risk”, therefore the council funding will need to be treated as grant as there is a risk that the bank will not ultimately operate. The exact legal form of the council’s investment will need to be determined during the due diligence process.

4.4 The proposal is to invest £25,000 into the South West Mutual as part of their second phase of fund raising for the Mutual.

4.5 Correspondence from the South West Mutual in 2020 described the current position as follows:

“South Hams District Council, along with several other Devon districts, Plymouth CC and Cornwall Council all invested at the end of 2018/early 2019 using grant monies to fund phase 1 of the bank start-up. This has progressed well and we submitted our business plan to the regulator (PRA / FCA) in the Summer and have been invited for a challenge / feedback session next month. This means that we have passed their bank business plan viability test and now need to convince them that the rest of the plans are up to scratch. It’s still a long and winding path to receiving a licence, but all being well, we envisage moving to a live test by the end of next year. However, to do this we need to enter phase 2 of the fund raise. We obtained a £200k grant earlier this year from the Open Society Foundation which had a further promise of a £800k match fund. We’re short of where we need to be to get this 2nd transformational grant. Support is however growing, from businesses, individuals, local MPs and key

Government ministers. John Glen (economic secretary to the treasury) has been very supportive and supports the idea of mutual community banks whilst Danny Kruger is also very supportive and has said of the embryonic community banks that there's been "great work in this space". His recent "levelling up communities" report (see <https://www.dannykruger.org.uk/communities-report>) talks of using £2bn+ of dormant assets to create a Levelling Up Communities (LUC) Fund, for perpetual investment in long-term, transformational, community-led local projects in left-behind areas. We see this as potentially a way to fund our final phase 3 investment round. Our issue is that if we can't find investors or grants at this stage, we won't make it to the next. Plymouth CC and some of our private investors are looking to reinvest now....if there's a possibility of any stage 2 investment, we'd love to hear from you.

The 'so what' of South West Mutual is the real world benefits in terms of investment in micro / small businesses, socially oriented organisations and keeping money local that would otherwise be leaching out of the region. Feedback we are seeing is that smaller businesses are being excluded due to their loan sizes being insignificant for the major lenders... or the lack of a proper relationship at local level means they are unwilling to try to seek lending. Deposits held locally with us, will be reinvested locally via a new network of branches and field-based relationship bankers. From a social purpose perspective, we will help tackle financial inclusion and the poverty premium. Housing associations are keen to see viable alternatives to high cost lenders and the digital by default attitude of the main high street banks which is not appropriate for rural areas or those without access to a smart phone. Similarly, our proposed bank account will help people to properly manage the money they have – following a cash first model as recommended by debt management charities”.

5 Credit Unions

- 5.1 The Partnership are keen to expand the use of credit unions within Torbay to provide alternative credit facilities to Torbay residents which may help some of our financially vulnerable residents.
- 5.2 There are two credit unions that cover the Torbay area.
 - a) City of Plymouth Credit Union Ltd. <https://cpcu.co.uk/>
 - b) Westcountry Savings and Loans. <https://www.westcountry.org.uk/>
- 5.3 The proposal is not to set up a Torbay specific credit union but to work with one or both of the two existing credit unions to establish a higher profile of the availability of these credit unions for Torbay residents. This could be by means of a Torbay specific "gateway" to access the credit union.
- 5.4 The allocation of £10,000 would be a maximum sum to be used to establish the Torbay specific gateways.

6 Green Bond

- 6.1 Linked to community engagement, the Council's Green agenda and turning the tide on poverty (in providing an above bank base rate of return) the Partnership is proposing to establish a green bond for local Torbay residents to invest in.

- 6.2 The bond in Torbay is expected to be similar to the one recently issued by West Berkshire Council. The fund will be managed (for a fee) by a provider who will deal with all the financial transactions and administration.
- 6.3 The Bond will be used to part finance green projects such as solar panels the council would develop. The Council will then allocate some of that return to the investors and to cover the administration costs. As a guide the West Berkshire bond is for 5 years and will return a net 1.2% per annum.
- 6.4 There may be the option of linking the Torbay Green Bond with announcements linked to the COP 26 Climate Conference. If this is possible this will be incorporated into the launch of the Torbay scheme.
- 6.5 Link to Bond. <https://www.abundanceinvestment.com/west-berkshire>
- 6.6 Link to details of the bond. <https://www.abundanceinvestment.com/our-impact/investments/west-berkshire-2025>
- 6.7 Any scheme that the Council chooses to invest in will be subject to the appropriate approval process for capital schemes funded from borrowing including a business case to ensure the future income needed to meet repayment of borrowing and payments to investors. The green bond is a form of borrowing and will be accounted as such in the funding any relevant project.