



## Symposium “Ondersteboven” 26<sup>th</sup> June 2015

“Community initiatives to fight poverty and inequality and its financing” by David Cousland, manager Scotland of Big Issue Invest

I firstly must mention Scotland’s role in the world of banking before the credit crisis of 2008. In the wake of the crisis the attitudes of UK consumers and EU regulators and the banks themselves have changed. The Scottish Government was very concerned at the downfall of the big Scottish banks Royal Bank and Bank of Scotland. Scotland had been known throughout the world as the home of traditional banking values and the principles of prudence, stewardship and professionalism. The SG commissioned a report Sustainable Responsible Banking.

The people of Scotland want to have confidence that the banks have their interests and that of their money at the centre of everything that they do.

I will discuss 3 themes:

- Values based banking
- Personal banking
- Business banking

### Values based banking

The Global Alliance for Banking on Values (GABV) is an independent international network of banks using finance to deliver sustainable development for unserved people, communities and the environment. Triodos is a founding member and its ethos is to be trusted to use money to effect positive social, cultural and environmental change. To espouse integrity and transparency. To harness the power of money for good through expertise, innovation and partnership. To stand out from banking crowd. To challenge the conventional banking view/paradigm

The difference to mainstream banking is that people matter. It is about engaging with people who believe in a better world and organisations making it a reality including:

- Transparency, knowing which activities and organisations the bank is funding.
- Being trusted to use money to effect positive social and environmental change
- Personal approach- to meet with the customer in their own environment and see how they can be supported, share their values/vision

In the case of Scotland it has a long history of pioneering new forms of business including co-operatives and social enterprises. These reflect a belief among Scottish people in a fairer and more equal society organised for the benefit of all where business activity is used as a means to this end and not an end in itself.

Over the last 10 years social enterprise has enjoyed growing levels of political and economic support.

During this time the SG has recognised social enterprise as an important partner in the economy and can lead to a fairer and more inclusive Scotland.

Social Enterprise (SE) has no legal definition- it is defined using a Voluntary Code of Practice. It is a business that trades for the common good. It addresses social needs and aims to strengthen communities and improve people’s life chances, enhance culture or protect the environment. The emphasis is supporting the local economy, local decision making and local services delivered by local providers.

Social enterprise has developed in the last 10 years:

- There is a Third Sector Division within Scottish Government. The Communities Minister is a member of the cabinet. Until recently this was John Swinney, now deputy leader of the Scottish Government
- The SG with the main banks set up a social investment funder, Social Investment Scotland (SIS) to provide finance to SEs

- SG supports SEs being able to bid for public contracts, thereby increasing its market
- The culture has changed, an increasing number of SEs will consider repayable loans
- SG (the Third Sector Division) funds 20 Social Enterprise Networks operating across Scotland connecting almost 700 SEs and funds investment readiness advice. SG provides grants to SEs that have the potential to grow.
- Scotland was home to the first SE World Forum in Edinburgh and John Swinney will speak at this year's world SE forum in Milan.
- The Scottish referendum of 2014 has unleashed a new wave of political engagement and interest in social, economic and environmental justice

The SE sector is formulating a 10 year vision- Scotland's vision for Social Enterprise in 2025. It calls for:

- Better targeted use of grant funds and ensuring that repayable finance is part of the funding mix
- SG to consider the role of social investment tax reliefs for private investors
- SG has introduced a national programme of business support

### **Personal Banking**

Providing bank accounts/access to financial products for individuals- those that are financially excluded.

The following initiatives are tackling this

- **Role of Credit Unions-** Credit Unions are financial co-operatives which are owned by their members and which traditionally serve people in a particular area or work for a specific employer. Profits are distributed to members through dividends and members have a say in how the CU is run. There are 109 CUs in Scotland and 34 of those are in Glasgow. Government is encouraging their development and providing funding so that they can improve their infrastructure. Their interest rates are lower than mainstream lenders which means that they can offer loans to those who would not be able to access funding and whose only alternative is the "payday" lenders (high interest). CUs encourage saving and also provide members training to increase financial capability. CUs provide alternatives for more vulnerable individuals and families. CUs are growing in Scotland although in world terms it is still relatively small. E.g. 25% of the US population are members. The Church of Scotland is working with the CU movement to strengthen the sector
- **Scotcash**, a CDFI (community development finance initiative) based in Glasgow is tackling financial exclusion. It works with 16% of individuals who do not have a bank a/c. Big Lottery Fund has provided £1million until 10/2017 to provide additional support so that it can become financially sustainable. Scotcash is different because it offers face to face support for the individual. It has 2,500 customers with the objective of growing this to 6,500. A success is for the individual to transfer to a credit union. It also works with corporates- both RBS and Barclays are trusted partners.
- Big Issue Invest (social investment arm of Big Issue magazine) has teamed up with Experian and Housing Associations so that tenants can use their history of paying rent to have a better credit history. BII found that there are millions of low-income people who are excluded from affordable credit due to the lack of a mainstream credit history. Since they have no credit history, they are more likely to be declined or pay a higher price for credit. This, in turn, contributes to keeping them in the poverty trap and dependent on very high cost credit leading to a vicious cycle. This means that they pay less and is to tackle the financial, digital and social exclusion challenges faced by rental tenants in the UK compared to homeowners. By observing rental payment data in the same way we view mortgage payment data, we can unlock a range of benefits for tenants, housing providers and credit providers.

### **Business Banking**

Definition of social investment, not universally accepted but one definition is "provision and use of capital to generate social and financial returns. Use of private and/or charitable finance to achieve social outcomes."

Social Enterprise has been given significant support by the Scottish Government over the last decade. It is being given extra importance now because of the effect of the banking crisis in 2008. The recent general election in May highlighted the impending cuts to public expenditure. So we know that there will be less money yet a growing demand for welfare/health issues. Social enterprises have depended upon grants (not repayable) but increasingly many are now looking to be financially self-sustaining and take loans rather than grants. This is not possible for all organisations but it is possible for those that can trade/provide a service.

Interesting case studies to consider:

- **Perth YMCA**- it launched a very innovative project in 2012, Living Balance. Perth is a city of 50,000 people. The local community raised c. £250k including a church investment of £50k to support up to 300 young people who have experienced difficulties with formal education and struggled to access training or employment. It is unique because it is not a loan but a Social Impact Bond. This means that the Government (Department of Work and Pensions) will pay the YMCA (who then pay investors) based on the agreed social outcomes e.g. reduced offending.
- **Social Bite**- a social enterprise started in Edinburgh 3 years ago. It is a sandwich shop with shops in Edinburgh and Glasgow and 6 planned by the end of 2015. 25% of their staff have been homeless and that is part of their model. Their objective is to be an alternative to the main sandwich shop chains and develop UK wide. All profits to charity. This is seen as a very innovative organisation with an inspirational social entrepreneur aged 26. They have benefitted from early stage grant investment and business support. Most recently the Hunter Foundation (Tom Hunter is one of Scotland's richest individuals) has invested in Social Bite, takes an active interest in it scaling up.
- **Big Issue magazine**- perhaps the most well-known social enterprise in the UK established in 1991 by Gordon Roddick (of the Body Shop) and John Bird in response to the growing number of rough sleepers on the streets of London. The two believed that the key to solving the problem of homelessness lay in helping people to help themselves. Vendors buy their magazines with their own money and sell them at their own profit or loss. "A Hand up not a Handout". It currently works with around 2000 individuals across the UK offering them the opportunity to earn a legitimate income; to 'help them to help themselves'. The magazine has become synonymous with challenging, independent journalism, and renowned for securing exclusive interviews with the most elusive of superstars. It currently circulates around 100,000 copies every week. Earning an income is the first step on the journey away from poverty. Created as a business solution to a social problem, The Big Issue has inspired other street papers in more than 120 countries, leading a global self-help revolution.
- **Out of the Blue**- an arts and education trust based in Edinburgh. It provides opportunities for artists and others who face barriers to creativity. It is a well, known cultural social enterprise. It is based in the local community of Leith and provides work space for artists, office space/hub for arts organisations and a café that provides training opportunities. Established for over 15 years it has benefitted from Scottish Government funding and other public agencies. A key ingredient has been a professional board that has enabled it to develop its building and income streams

In Scotland there are various grant giving bodies that have invested in various social enterprises including the Big Lottery Fund and there is very good evidence of collaborative working