

# Building Society

Mutuals' role in local economic & community development



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# Foreword by Rt Hon Dr Vince Cable MP



Building societies and other mutuals are an integral part of the UK's financial services sector. They are rated far higher than banks by those who experience them on a daily basis, with 79% recommending their mutual provider against 60% of bank customers. They don't have the cost of making dividend payouts but can allocate any surplus to depositors or borrowers. This report shows how the mutual-ownership model also allows them a greater focus on serving the needs of the communities in which they operate.

From working to deliver regeneration projects, to providing disadvantaged young people with opportunities to broaden their educational experience, mutuals have a long commitment to their members and to developing their economies and communities.

This kind of long-term and responsible approach is what we need if we are to rebuild trust in financial services.

The Government made a clear commitment to such an approach in the Coalition Agreement of May 2010, with an aim to develop policies which would "foster diversity, promote mutuals and create a more competitive banking industry." Using the Banking Reform Bill, we have made some improvements to modernise the ways in which societies can communicate their corporate information and to make it easier for them to operate in today's financial markets. However, we will know we have succeeded when we see, not just existing mutuals flourishing, but new ones starting up.

There is a major issue of housing affordability in an environment where house prices are too high and rising too fast in significant parts of the country.

This has led to an understandable focus on how people can be helped onto the housing ladder in a sustainable way. Building societies have historically played a big role in financing home ownership and represent longstanding, responsible means of financing home ownership. The existence of 1,000 building societies in the 1930s created a "virtuous circle" of mortgage lending supporting more house building. The volatility of mortgage availability in more recent times has been down in no small part to the de-mutualisation of building societies, one of the great acts of economic vandalism in modern times.

There is a strong case for a more varied banking sector and those mutuals which resisted the lure of conversion to plc banks continue to provide a different business model, based on the needs of members and the areas where they live, without the pressures to produce shareholder returns. They have a noble record of helping people get ahead, and are surely a key part of the future.

**Rt Hon Dr Vince Cable MP**  
*Secretary of State for Business, Innovation and Skills*

# Introduction

The Building Societies Association represents a diverse group of financial services providers; some are household names delivering services across the UK, some operate only in certain areas and are more familiar to the people who live there, while others operate nationally out of a single office location. What unites these institutions stems from the fact that they are not shareholder-owned, rather they are either wholly or majority-owned by the people that actually save or borrow with them, their customers, sometimes called members.

Member-owned mutuals have motivations other than short-term shareholder return driving their business model. Mutuals do seek to make a profit from their activities, but the way in which these profits are made and distributed differs markedly from the plc model.

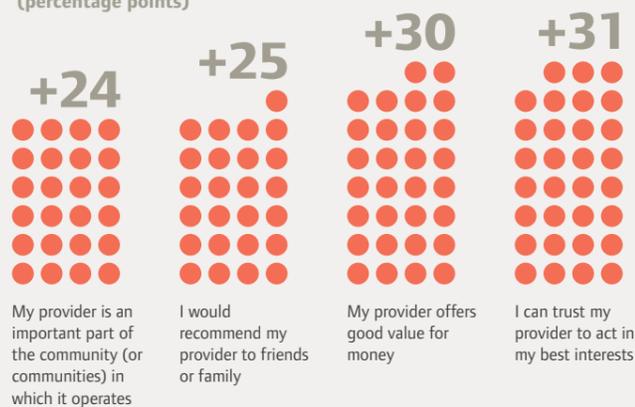
Independent research has shown that customers of mutuals feel that their provider delivers consistently higher standards in terms of customer service, offers better value for money and are more trustworthy. Overall, customers would be more likely to recommend them to friends and family than would customers of banks.

It is not just the way they serve their customers that marks mutuals out as being different to shareholder-owned financial services companies, it is also the impact that they have on the communities in which

they operate. Whilst the mutual model is characterised by longer-term relationship building with customers, many mutuals also see longer-term relationships with the towns, cities, counties and regions in which they operate as being equally important.

This report shows how mutuals are engaged with the communities in which they operate; how they support local charitable activities, contribute to the life of the nation's high streets and play an important role in developing regional and sub-regional economies. As well as providing some illustrative case studies, this report will also put more numeric values on the impact of mutuals as employers and how they contribute to civic, community and business life across the UK.

Difference in mutual customer scores compared to bank customer scores for various service measures (percentage points)



Calculated as difference in the % agreeing to some extent minus the % disagreeing to some extent. BSA calculations using data from YouGov PLC. Total sample size was 4,781 GB adults – percentages based on a summary of responses of providers within the relevant sectors. Fieldwork was undertaken between 16th - 22nd August 2013. The survey was carried out online. The figures have been weighted and are representative of all GB adults (aged 18+).

# All politics is local – the impact of mutuals in their communities

The long-serving US House of Representatives Speaker, Tip O'Neill, coined the famous phrase "All politics is local" to encapsulate his belief that it was much easier to get people to understand political and economic arguments by reference to local issues. Members of the public are more likely to respond to issues that affect them on a day-to-day and local basis, than those which seem abstract and longer-term.

Leading figures from across the political spectrum have underlined the importance of localism. This has been particularly marked in the context of the banking reform debate and in terms of the key role that should be played by financial institutions if they are to be more responsive to the needs of the communities they serve.

The former Financial Services Secretary, Greg Clark MP, committed the Government to making it easier to set up new banks, promising that regulatory burdens "should be lower for a bank that's smaller." Fellow Conservative MP, Guy Opperman, hosted an event in the north east of England in June 2013, attended by representatives of the financial services industry to look at how more responsive banking institutions could provide increased local decision making about lending money to consumers and businesses. Mr Opperman optimistically stated that "I am looking forward to seeing, in the not too distant future, local banks in our local towns."

The Leader of the Opposition, Ed Milliband MP, has similarly signalled his support for a different system of local banking, modelled on Germany's Sparkassen (locally-based savings banks), with an institution in each region with a remit to promote investment only in that region. He said that "we don't need just a single investment bank serving the country. We need a regional banking system, serving each and every region of the country."

Many of the UK's mutuals, including its 45 building societies, have their roots in local communities, often having been founded to address the housing and longer-term savings needs of local people. Whilst many institutions may have outgrown operating in a single town, city or region, others continue to offer services defined by geographic boundaries. Of those institutions that have

stretched beyond their founding base or acquired mutuals in other areas, many still identify with a particular locality whilst taking account of the needs of the new communities they serve. The Cambridge Building Society explained that "the society's strategic direction is steered by gaining a greater insight of our customers' need and requirements. This insight flows from being integrated in their locality."

The Leeds Building Society is fiercely proud of its origins and has committed to remain headquartered in the city in which it was founded, regardless of future mergers or acquisitions. It calls its approach "Local Feel, National Presence", as the society encourages its branches around the country to work to be part of the community wherever they are located. Moreover, when it merged with the North Tyneside-based Mercantile Building Society in 2006, there was no longer any requirement for an Annual General Meeting to be held in the north east. However, the Leeds Building Society decided that it would still hold an annual Member Forum in Wallsend, North Tyneside, as a commitment to engaging with its new members in the region.

As well as being a major provider of financial services to other co-operatives, the Co-operative Bank has made a pledge to improve social inclusion, serving as many communities as possible, irrespective of background or situation, whether through their physical presence or via bespoke products to meet individual community needs. One of the results of this pledge was that finance provided to small businesses in deprived areas (as a proportion of equivalent bank activity) was once again above the industry average in 2012.

## Branches

The commitment that mutuals show towards their localities is also evidenced by the policies and practices followed by many of them when it comes to decisions over branch openings and closures. Local action and political campaigns are commonplace when banks and other financial institutions propose to close a branch, particularly those situated in rural locations or in district shopping centres within cities. Mutuals are not immune from the very real commercial pressures which may often drive the consideration of branch closures, but there is evidence to suggest that they take many other factors into account, beyond the financial bottom line, when taking any final decisions.

The West Bromwich Building Society, when faced with the proposed closure of one of two branches in the same town, decided to analyse the usage of each to help make the final decision. The Society found that these branches were being used predominately by two different ethnic groups, with the location of each appealing more to one group than the other. The West Bromwich therefore decided to keep both branches open to satisfy the demands and preferences of its members. Similarly, the Society also recruits staff with relevant language skills to suit the customer base of each branch.

Mutuals often take a proactive line in asking members what they think about the location of their branches as, after all, they are the owners of the business. Rather than waiting passively for the inevitable protests about a proposed closure, mutuals use local knowledge, demographic data and direct feedback from members to help them decide on their branch location strategies.

The Newbury Building Society has opened two new branches in the past two years in towns about which they have an in-depth knowledge. This included a grasp of the size, scale and nature of new housing developments in the area which enabled them to open branches in locations likely to both satisfy existing and attract new members. Kent Reliance opened a new branch in Canterbury directly as a result of member feedback. The Tipton & Coseley Building Society used its expert knowledge of towns inside its operating area to invest in moving two branches to higher profile positions, while the Leeds set up a pop-up branch in a shopping centre to make it easier for its members to carry out transactions, especially for those who work during the day.

The branch is often at the centre of mutuals' community activity. To support this approach the Newcastle Building Society has launched an initiative called Cornerstone of the Community to maximise each branch's impact on its local community, measured across five criteria: volunteering, free community promotional space in the branch, financial education in local primary schools, branch choice of a local Charity of the Year and a local hero awards scheme. Each branch also has its own page on the society's website which describes their Charity of the Year, and introduces staff members by name.

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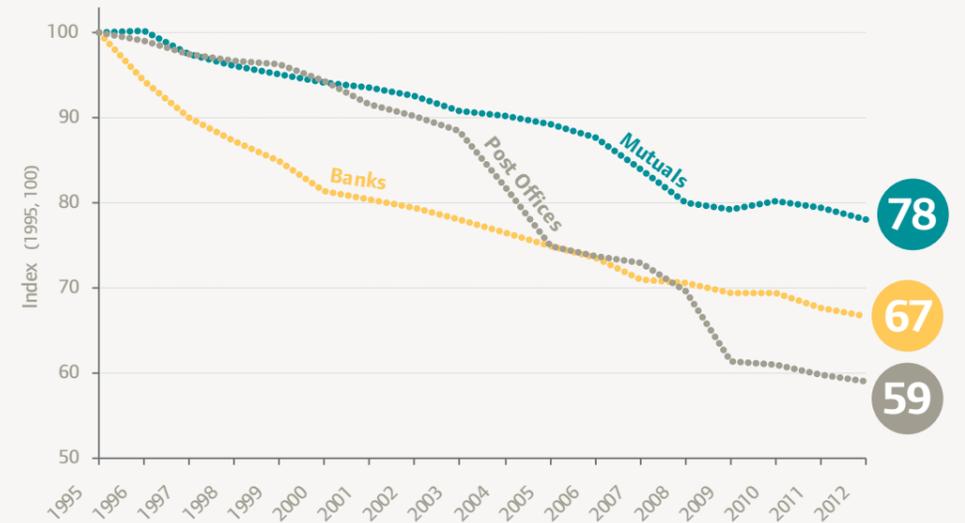
## Branches

Mutuals have almost 2,000 branches across the UK.

More than half of all mutuals have the entirety of their branch network within 25 miles of their head office, and almost three quarters have all their branches within a 50 mile radius of their head office.

Unsurprisingly, it is generally the larger societies that have more dispersed branch networks, though there are some exceptions where societies are located in less densely populated areas of the country. For example, the Scottish Building Society's branches are spread across Scotland.

Branch numbers



The chart above shows the change in branch numbers since 1995 across various sectors, demonstrating that mutuals have been consistently less prone to close branches. The number of branches operated by mutuals has fallen by just over 20% in response to changes in customer demand, the development of new channels and mergers within the sector. Over the same time the number of branches operated by banks has declined by 33% and the reduction in the post office branch network has risen above 40%. The lower rate of branch closure at mutuals is a reflection of their particular approach to customer service, and also a greater level of consideration of local community impact.

# All economics is local – Mutuals as commercial players in their communities

## Providing financial services

Mutual financial service providers offer a range of products and services to help households and small businesses look after their financial affairs. This section explores how the business activities of building societies and other mutuals are supporting local regions.

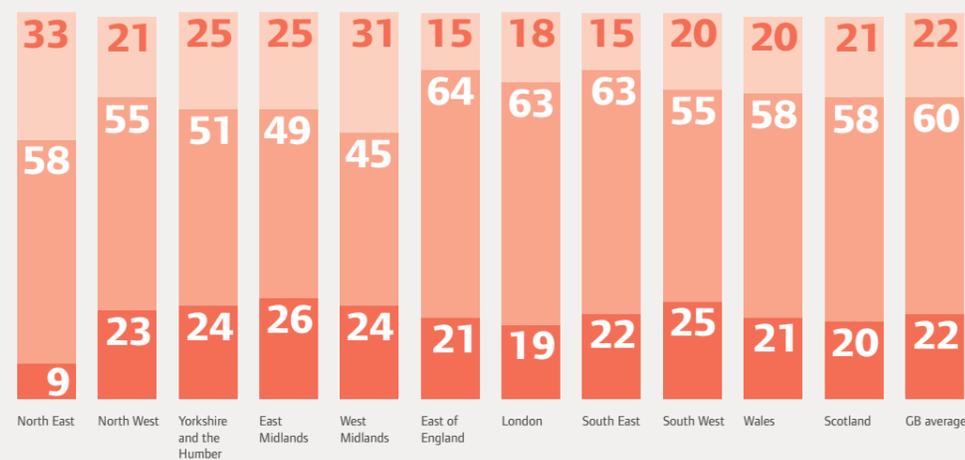
Building societies and other financial mutuals help homebuyers across the country, with over £250 billion of mortgage loans in place. They are also responsible for more than £260 billion of retail savings balances. Together, mutuals account for around a fifth of each of these core markets. A number of mutuals provide current accounts, and some offer a wider range of products and services to their members, including financial advice, insurance products and other investment products.

The charts below which are based on data from a YouGov survey of almost 4,800 adults demonstrates that mutuals have a significant share of their main markets across all regions in Great Britain.

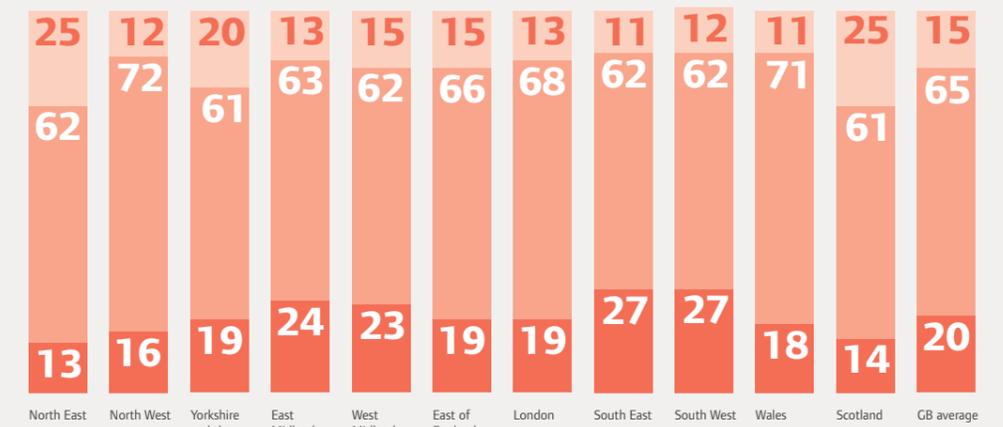
### Key

- Others
- Large Banks
- Large Mutuals

**Main mortgage account, market share**  
(percentage of respondents in each region)



**Main savings account, market share**  
(percentage of respondents in each region)



**Main current account, market share**  
(percentage of respondents in each region)



All figures, unless otherwise stated, are from YouGov PLC. Total sample size was 4,781 adults. Fieldwork was undertaken between 16th - 22nd August 2013. The survey was carried out online. The figures have been weighted and are representative of all GB adults (aged 18+).

Many mutuals have built up significant expertise about the social and economic landscape of the areas with which they have historic links. Building societies will often have a depth of knowledge about the local housing market within specific areas. Often they will have provided mortgages for the purchase of the same properties many times over a long period of time.

Mutuals which operate within a specific geographic area will often deploy their locally based decision-making to effectively tailor their strategy to meet the needs of specific areas. Not only does this result in a more flexible and responsive approach to lending, but local knowledge can help in making better lending decisions, with the result that the mutual sector maintains a lower level of mortgage arrears than the mortgage market as a whole. Many mutuals also have preferential products or interest rates for members who live or work in their locality. This is one way of recognising the importance of local roots and local customers. In addition, building societies say that their local knowledge is instrumental in shaping both marketing and member communication strategies.

As an example, the Cambridge Building Society lends on mortgages for residential and buy to let properties only across the eight counties of East Anglia. As a result it has built up an in-depth understanding of the regional economy and first-hand knowledge of many of the localities that make up their operating area. From the provision of products for the significant buy to let market for student accommodation in Cambridge, to specialising in mortgages to meet the needs of professionals and academics on short-term contracts, the Cambridge Building Society's lending strategy is driven by local needs and regional economic indicators.

Similarly, the Furness Building Society has extended its mortgage lending to B&Bs and guesthouses in Cumbria, based on its knowledge of the Lake District and surrounding areas.

Market Harborough Building Society recognised the specific circumstances in its local housing market, where prices are above the national average, but wages are not, making it extremely difficult for first-time buyers to afford to buy. To help, the society launched a 95% loan-to-value mortgage for local borrowers.

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## Investment

Such tailoring of products to suit local home-buyers helps individuals and boosts the local economy and house-building. For example, the Darlington Building Society has been working with a local housing association on a mixed development which incorporates full sale, shared-ownership and rental properties. Through their partnership with the housing association and expert knowledge of their local area, the Darlington was able to tailor a special mortgage product specifically for this development, boosting house-building and helping local people into better quality, secure housing.

A large number of societies support investment in their operating areas through links with housing associations and Community Land Trusts both of which support the development of new affordable homes. Ecology Building Society's approach means that it also supports the renovation of poor quality empty properties, helping to bring these properties back into use as decent housing stock. The Mansfield, Nottingham and Darlington building societies also run schemes in partnership with local builders to offer 95% loan-to-value mortgages to local buyers.

As part of its wide-ranging citizenship programme, Nationwide Building Society is focussing not just on the funds it donates to the communities in which it operates, but also on leveraging the ability it has due to its scale and reputation to unlock other funds to be invested in communities. By sponsoring fundraising events and tapping into public sector matched funding schemes for partners such as Sporting Futures, the society was able to unlock nearly half a million pounds, on top of the two million it had donated to communities directly in 2012/13. Similarly, Saffron Building Society works with or through existing organisations to increase the impact of their support.

## The Mill development

The Principality Building Society, Wales' biggest mutual and the sixth largest in the UK, has been a key part of The Mill development at Ely Bridge to transform 53-acres of urban wasteland into an innovative £100m housing development, delivering up to 800 new homes and generate more than 1,000 employment opportunities in Cardiff.



Made possible by collaboration between the Welsh Government and the building society, with support from Cardiff Council, the development will provide a catalyst for economic regeneration in the area as the site is transformed from wasteland into a thriving urban village. The Society's role was as a facilitator and enabler for the development, including the provision of interim funding to support the initial work.

Speaking at a ceremony to mark the official groundbreaking at the site, Edwina Hart, Welsh Minister for Business, Enterprise, Technology and Science said: "It is excellent news to see work getting underway on this site and that it will once more deliver real economic benefits for the local community and I am delighted the Welsh Government is working with Principality Building Society to deliver such an important project."

"The investment at The Mill will also provide a boost for the Welsh construction industry, one of our key sectors, as well as supply chain companies and create a significant number of jobs over the next five years."

Speaking of the financial structure, Dyfrig John, Chairman of Principality Building Society, believes the innovative model could become a blueprint for future developments across Wales.

He said: "In these challenging times it is important that private and public sectors work together creatively to harness the capacity and appetite which exists in the institutional market for long term investment in Welsh housing. This model is about creating the right conditions for those investors to select this site as the potential flagship for funding schemes in an environment where the availability of grants and traditional lending is constrained."



Chairman of the Ely Bridge Development Company John Lovell, Principality Chairman Dyfrig John and the Minister for Economy, Science & Transport in the Welsh Government Edwina Hart AM

## Working with regional partners

Looking after the interests of members and delivering against commitments to localities also leads mutuals to become engaged with many of the other commercial interests which affect the villages, towns, cities and regions where they operate. Some joint ventures and partnerships are made possible because of local knowledge and links with regional organisations. Through engagement with other economic players in their communities, mutuals help to influence the direction of their regional economies. Through memberships of strategic networks, mutuals often offer useful knowledge and advice on housing market issues, financial services and economic policy.

The Leeds Building Society has been featured in the media for its joint scheme with Leeds City Council to help first-time buyers get onto the housing ladder. The 'Helping Hand' scheme allows first-time buyers to secure a property worth up to £160,000 with just

a 5% deposit, with Leeds City Council underwriting a further 20% of the loan. A number of other societies have launched similar mortgage schemes in conjunction with local councils, including the Marsden, Leek United and Penrith building societies.

It's not just in the field of home-buying schemes where mutuals offer local people a better deal. For example the Newbury Building Society has a loyalty card in place to enable its members to claim a discount at retailers on local high streets. Other societies have used their local knowledge to respond to emerging needs. For example, the Stafford Railway Building Society knew from its contacts with local businesses that there was demand for a corporate savings account with an attractive return, so the society launched such an account. Take up was enthusiastic and was assisted by word of mouth across the local area. Similarly, Market Harborough launched a successful deposit account for local small businesses in recognition of a specific need during the recent economic downturn.

### Penrith boosts home ownership in Eden

**Penrith Building Society have worked with their local council to help more people to own their own homes by designing a scheme to reduce many of the initial costs that a borrower faces when borrowing more than 75% of the purchase price.**

The 'Eden Mortgage Boost' Scheme is seeking to deliver the following benefits for the local community:

- Encouraging young people, including graduates, to stay in Eden District.
- Assisting people into owner-occupation and freeing up properties in the private rented sector for those unable to buy, including homeless people.
- Helping to get the local housing market moving



Local MP Rory Stewart said: "It is great to support such an imaginative co-venture between Eden District Council and Penrith Building Society, whereby more people in Eden will be helped to make that very important – and, nowadays, often challenging – first step onto the property ladder. It is a great example of a local business and a local government body responding to local needs, and I am delighted to support it."

Councillor Lesley Crisedale, Aryn Fazal of Penrith Building Society and Rory Stewart MP

## Employment

Mutuals can also have a major impact on the communities in which they operate through their role as an employer. One valuable aspect of this role is the way in which mutuals help to up-skill and boost the employability of local workforces. Many mutuals have schemes in place to assist young people to get into work whether through work experience placements, apprenticeships or internship opportunities. The Hanley Economic Building Society aims to employ local school leavers as a way of investing in the local economy. As well as providing skilled jobs, the Society also takes very seriously its responsibilities for shaping the future leaders of the local economy. Bursaries are also offered by some societies to help local students cope with the rising cost of further education.

The Monmouthshire Building Society has teamed up with the University of Glamorgan to participate in the Network75 project. Network75 is a combined work and study route to a degree where undergraduates apply their academic knowledge to real-life work within a host company. During term-time, Network75 students work in the society three days each week and attend university on the remaining two days. Network75 students also work full-time at their host company throughout holiday periods, so by the time they graduate they have built up a substantial amount of relevant and marketable experience.

Some mutuals also have schemes in place to provide assistance to particular groups in the workforce. For example the Nationwide Building Society has a recruitment drive aimed at ex-armed forces personnel who can find it difficult to find work. This is far from a one-way street as the Society benefits from the valuable skills of individuals who have served in the military, ranging from project management to decision-making under pressure.

Through engagement with other economic players in their communities, mutuals help to influence the direction of their regional economies.

Some societies have developed links with significant local employers by working with them to deliver workplace savings schemes for their staff. Like the Hanley Economic, Progressive and Furness building societies, the West Bromwich operates a work place savings scheme. Called *Pay Save*, the scheme is administered by the participating company's payroll department, allowing their employees to save directly from their salary into a West Brom account so that savers do not feel like they even "miss" the money. West Brom branch managers were tasked with using their local knowledge and contacts to sign up local businesses. They would then visit the businesses and present the scheme to the employees.

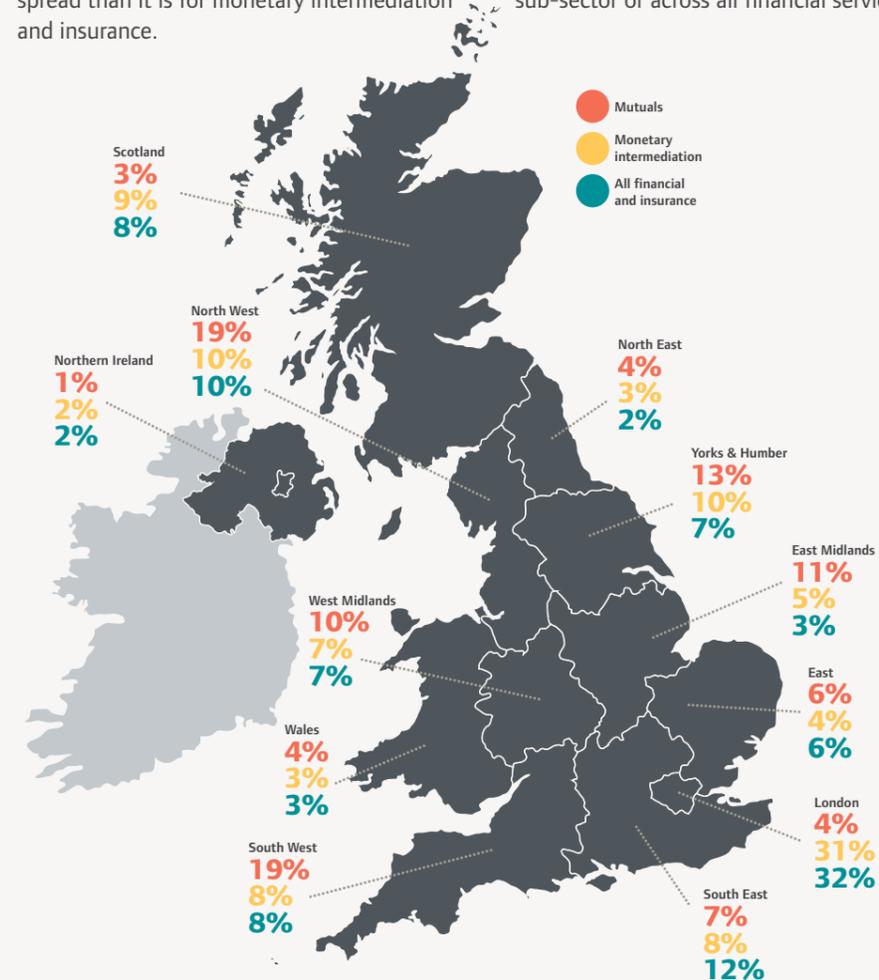
Mutuals also have a wealth of experience and knowledge available to share with other economic players in their communities, especially new or small businesses. A large number of mutuals are active members of local Chambers of Commerce and other, similar organisations, designed to help local businesses forge working relationships and share knowledge on region-specific topics. The Skipton Building Society was among the three founding members of the Skipton and Ripon Enterprise Forum, a network of experienced entrepreneurs and business people dedicated to providing free and effective support and mentoring to local businesses. The Group is chaired by the Member of Parliament for Skipton and Ripon, Julian Smith MP. In a similar vein, Kent Reliance sponsors the Community prize in the Kent Excellence in Business Awards to forge links with like-minded organisations in its area, while the Chief Executive of the Ipswich Building Society offers mentoring to other business managers in East Anglia, including via YouTube videos.

## Proportions employed by region

It should be no surprise that an analysis of data from National Statistics\* on employment by sector shows that employment in the Financial Services sector as a whole is concentrated in London. This is also true when looking at the industry sub-sector called monetary intermediation – a term describing organisations which take in savings and use these funds to make loans – what most people would understand as core retail banking.

We asked building societies and mutual banks to provide us with information on their employment split by geographic region so that we could compare how employment by these institutions is spread out across the country, relative to banks and other organisations engaged in monetary intermediation.

The results are shown on the map below. Generally, employment by mutuals is more evenly spread than it is for monetary intermediation sub-sector or across all financial services and insurance.



While almost a third, 31%, of workers employed in monetary intermediation are based in London, just 4% of mutuals' employees are located there. In particular, greater proportions of mutuals' employees are based in the South West, the North West, Yorkshire & Humber and the East and West Midlands. As might be expected, these reflect where some of the larger building societies and mutual banks are based.

\*ONS Business Register Employment Survey 2010

# Civil society impact

## Working with civil society partners

It is not just commercial and government sector organisations that building societies and co-operative banks work with to improve their communities. Wider civil society organisations are also key partners for mutuals. Such organisations play an important role in the provision of certain services to communities, often to prevent the exclusion of the most vulnerable. Mutual organisations are typically not specialists in these services, but their members share a joint concern that such services are provided.

These services cover a broad range of activities, for example the partnership that Nationwide has with the homelessness charity Shelter and Citizens Advice which helps to extend access for those who need their help.

Mutuals are typically keen to support community organisations that help people get a roof over their head, that improve financial capability or that help

people to access financial services. The Co-operative Bank helped to fund the Regional Growth Fund, a Government initiative to provide loan finance to Community Development Financial Institutions (CDFIs) which in turn lend money to businesses and people who struggle to get finance from high street banks.



### Ipswich – the Never Ending Mural

The Ipswich Building Society has been working with local schools on the “Never Ending Mural”, described by the Ipswich as “an ambitious community led project that will transform the face of Ipswich.”

The Never Ending Mural project has resulted in artwork installed at a number of locations across the town for Ipswich residents and visitors to enjoy. The artwork was designed by local children and families, in collaboration with a local artist who curated the project, and then painted onto the walls by volunteers with the aim of brightening up parts of Ipswich. During school half term, the Society helped Ipswich Art School to run a series of art workshops, inviting people to submit their own artwork for the Mural.

The building society has also supported murals in other parts of its operating area. Adrian Osborne, Mayor of Sudbury, commented on a mural in the local branch, saying, “The Talbot Trail was first launched six years ago, with each point of the Trail representing a particular, sometimes quirky, snippet of Sudbury’s history. The Trail has proved popular but in recent years it has needed to be better promoted. We are very grateful that Ipswich Building Society has invested in and made space to accommodate this magnificent mural and map of the Trail, and encourage people to come and view it.”

## Coventry – inspiring school children in a deprived area

Coventry Building Society currently works with Lyng Hall Trust and Sports Academy. Lyng Hall is a secondary school in a deprived catchment area of Coventry that is proving that all students can respond when given the right support and opportunities.



In the last five years over 50 members of staff from the Society have been involved in supporting the school by becoming reading and number partners, business mentors, e-mentors and summer school project leaders. The reading programme for students with special education needs has been particularly successful and has made a tangible difference.

Deputy Head Chris Green commented: “There has been a marked improvement in the reading ages of the students involved in the programme, but the most noticeable difference is in the confidence levels of the students who have grown in self-assurance and have developed a belief in their own ability.”



As well as helping students develop core skills, Coventry also work on raising aspirations and career support. Last year, the Society offered places to eight Lyng Hall students at a summer school in London where they visited the House of Commons, the BBC and the Bank of England.

Ian Pickering, Chairman of the Coventry Building Society, with students from Lyng Hall school in Coventry at the Houses of Parliament



Nick Hurd MP, Minister for Civil Society, together with some Framework service users, at the Parliamentary launch of the funding initiative.

## Nottingham savers help fund homes for the homeless

Nottingham Building Society has joined with East Midlands homelessness charity, Framework, to design an innovative funding arrangement for new homes and support services to help homeless people along the path to independent living.

The Nottingham is lending Framework £800,000 on commercial terms out of a total of £1.1m needed to provide 14 units of crucial move-on accommodation.

The cost of the loan from the Nottingham will be partly offset by savers’ investing in a specific Framework affinity bond set up by The Nottingham – in effect the lower interest rate on the savings bond offsets the cost of the loan to Framework and the more that is invested the cheaper the loan becomes. The less Framework pays, the more is available to invest in further accommodation for homeless people.

In addition to the development work The Nottingham has waived any administrative and lending fees for the loan.

David Marlow, Chief Executive of The Nottingham, said: “One of the founding principles of The Nottingham was to help provide homes for people who otherwise could not afford them. This package of investment and support is an ideal way to show that we are as committed to that ideal today as the Society’s founders were more than 160 years ago.

“What started out as a very traditional relationship between a business and a local charity has developed into something ground-breaking. Hopefully others will follow this lead in the future.”

Andrew Redfern, Chief Executive of Framework, added: “This new development of our partnership with The Nottingham represents a visionary and pragmatic solution and is an excellent new way of bringing social investment to the high street.”

# Volunteering

Most mutuals encourage their staff to volunteer their time. Organisations often grant staff time, typically the equivalent of one or two days a year, to volunteer for good causes. Employees usually find causes that they want to help, but societies also take appeals for volunteers from local groups looking for help. The Hinckley & Rugby Building Society links with other local businesses via the charity Leicestershire Cares to maximise the impact of their volunteering on the local community. Darlington encourages volunteering with its Volunteer of the Year award, and Cambridge matches funds equal to all the hours volunteered and donates this to community causes. Yorkshire's 'Actioneering' programme encourages individuals to put their business skills to good use in the local community, with projects including mentoring students or business people, and helping the set up of social enterprises. Others, such as Kent Reliance and Harpenden have given mentoring support to credit unions in their area.

One of the main areas where building societies and mutuals look to volunteer is in the provision of financial education to young people. This is a natural fit for building society employees as they get to put the expertise from their day job to good use. From 2014, the Government intends that financial education will form a compulsory part of the secondary school curriculum. Many mutuals look also to engage younger children to improve both basic numeracy and understanding of financial matters. Some societies, such as Harpenden, Melton Mowbray and Newbury, get the children to run real mini branches in local schools, while many others go into schools either to teach or provide teachers with tailored resources.

Nationwide has helped to establish a new charity, National Numeracy, which aims to raise numeracy levels across the UK. This charity has identified that almost 17 million people in the UK have numeracy skills below those needed for the lowest grade at GCSE and is looking at ways to build programmes that make maths an 'everyday' activity, building the essentials of numeracy for all. Nationwide also collaborates with other national charities that work in this area including the Money Advice Trust which supports individuals and micro-businesses through debt issues and back into financial health. Nationwide provides funding for their National Debtline phone service, as well as for their Innovation Grants Programme which funds ideas to support debt management.

## Talking newspapers at Hinckley & Rugby

For many years volunteers from Hinckley & Rugby Building Society have formed a reading team that spends a couple of hours once a month reading and recording the news content of the Hinckley Times newspaper onto CD for Vista, Leicestershire's charity for the blind and partially sighted. The CD is then copied by Vista and distributed to around 150 people in the immediate area. Hinckley & Rugby also grant Vista free use of a meeting room at the society's head office in Hinckley every week.

The initiative has long been part of the Society's 'Community First' scheme, which allows every member of staff up to three days' paid leave a year to participate in charitable or voluntary activities.

# Community Hub

By helping people to come together in person or via social media, an organisation can become a hub; the centre of a physical or virtual community, acting as an enabler and supporter of community cohesion. A number of mutuals offer use of their branches as meeting or display spaces for local groups. They are also used as collection points or as box offices for community events or simply to promote local activities via community notice boards. Some also offer printing facilities to produce the materials which are displayed.

Social media can be central to efforts to connect and engage community groups. For example, Skipton is using social media to support its Grassroots Giving campaign to promote the events and causes that it sponsors, bringing together various interest groups, as well as providing free resources for fundraisers. Ipswich Building Society is an avid user of Twitter to communicate with its local community, commenting on events and happenings, as well as what is going on in the society itself.

Others run events that put the building society or mutual at the heart of their community, such as Cambridge Building Society's local village and community magazine awards, or "local heroes" awards, as hosted by the Darlington and Newcastle Building Societies, or Ipswich's sponsored walks for members.

The huge variety of sponsorships that mutuals offer to local groups clearly help local events happen and support services and causes that the community cares about. These might be local sports clubs, environmental causes, music groups, fetes and fairs, local hospices and air ambulance services, or any of a myriad of other examples. In addition, there are a large number of affinity accounts available, where savers give over a portion of the interest they might otherwise earn to good causes that they care about.

For others, bringing groups together is integral to their purpose. For example, the Ecology sees its role as connecting the green building and ethical finance communities.

A number of building societies have set up independent charitable foundations to direct donations towards the local community. Often one of the policies governing the foundation's giving determines that the donations should benefit the communities around the society's offices or branches.

By bringing people together, mutuals can help to shape and respond to changes in the network of individuals and community organisations and become a key contributor to social identity, rather than merely a service provider.

The huge variety of sponsorships that mutuals offer to local groups clearly help local events happen and support services and causes that the community cares about.

## First time buyers get access to a network of contacts

Helping to bring people together can be directly related to a mutuals' core business. For example, the Newbury Building Society has organised a series of popular seminars reaching over 300 aspiring first time buyers. These events explained the whole process from finding a property, the initial steps involved in making a mortgage application, to completion and beyond.

The seminars brought staff from the Newbury Building Society together with local estate agents, solicitors, and affordable housing suppliers to provide guidance to first time buyers.

Graham Phillips of Sovereign Living Housing Association said of the events, "We were delighted by the number of first time buyers enquiring about our new development at the Racecourse, Newbury. Our partnership with Newbury Building Society allows us to work together to offer these great opportunities."

*"Having everyone here, from not only the building society but also from local estate agents, solicitors and affordable housing suppliers was great. I could go around in my own time, and find out so much. I now know what's involved and feel much more confident about buying a new property."* Attendee at a Newbury first time buyer event



# Conclusion

This report has aimed to demonstrate the major role that building societies and co-operative banks play in their communities. Mutuals place a high degree of importance on supporting their local and regional economies and being an active part of wider civil society.

The large plc banks have all had extensive corporate social responsibility and citizenship programmes, all presumably doing good work. However, the rate-fixing and ongoing mis-selling scandals by these same banks show how supporting community activity can present merely a façade of good corporate citizenship. Good work by CSR (Corporate Social Responsibility) sections of a bank can be undone by another part of the same bank landing small local businesses with huge losses due to mis-sold rate swap products. Mutuality in and of itself cannot guarantee that this discrepancy is avoided, but this report illustrates the point that customer-ownership means that the importance of community is more deeply integrated into the business and reduces this risk.

When the BSA surveyed managers of mutuals, we found that almost all believed that their institutions should be doing more than a shareholder-owned bank to support the communities in which they operate.

Consumers agreed<sup>1</sup>: 96% said that they would expect a member-owned financial organisation to do at least the same or more than a shareholder-owned bank to look after the communities in which it operated. And 97% of consumers also said that they expected mutuals to have equal or higher ethical standards than plc banks.

Managers of mutuals also told us that the most important reason for conducting community activities was to reinforce the organisation's traditions and values. A mutually supportive relationship between local economies and communities and consumer-owned financial institutions can be shown to be a more sustainable model for promoting better behaviours and culture between provider and customer.

At building societies and co-operative banks, the support for communities is not window dressing; it is embedded in their corporate strategy, adding real commercial value to the business. Supporting local communities and economies is linked to the founding principles and core purposes of consumer-owned financial institutions. It is what many of their members continue to desire and expect of them. And by being an important and active part of the community, mutuals can bolster members' trust and loyalty. They can also use the insights they get from the relationship with their members' communities to inform their strategic decisions. Supporting regional economies and local communities can therefore help to distinguish mutuals from other organisations and provide a competitive advantage.

Whilst many mutuals have grown in size and have developed additional objectives to the original purpose for which they were established, mutuals remain principally consumer-owned and community-focussed finance organisations, first and foremost providing financial services to and supporting the communities of those people who own them: their members.

<sup>1</sup> Source: YouGov PLC. See note to chart on page 6. Figures exclude 'Don't know' responses.

“There is an historical and reputational link to the area. Consequently, there is a strong sense that the local community should be repaid for its loyalty and custom. ... These localised links are also heavily influential upon the external brand perception of a mutual, as local customers have more than likely grown up with the presence of the mutual on their high street, and have therefore developed an attachment to it, or an opinion as to how it should service the community.” **Monmouthshire Building Society, on why it feels a mutual should have a responsibility to its community**

