

Social inclusion

Indicators



Access to outlets and channels

Basic bank account provision

Support for credit unions

Banking support for small businesses in deprived areas

Targets 2009

-  Develop and implement an annual award scheme for The Co-operative StreetGames Young Volunteers by the end of 2009 (page 49).
-  Roll out the Credit Union Current Account to at least five credit unions in 2009 (page 48).

 **target achieved**
  **close to target**
  **target not achieved**
 **on track**
  **behind schedule**

Targets 2010

- Recruit a total of 3,000 young people in disadvantaged communities as StreetGames Young Volunteers by 2012.
- Roll out the Credit Union Current Account to a further six credit unions in 2010.

Background

Social inclusion is achieved by promoting greater equality between the most disadvantaged groups and the rest of society. Factors such as unemployment, low income, poor skills, disability and discrimination can all contribute to social exclusion, preventing individuals from accessing many of society's opportunities.

Financial inclusion, which is borne of financial capability and the availability of suitable financial products and services, plays a key role in achieving social inclusion.

Materiality and strategy

The Co-operative supports social inclusion as an employer, as a provider of goods and services, and via its community investment programme. The Co-operative explicitly recognises equality, equity and solidarity in its values¹.

In the latest ethical policy consultations undertaken for the food, banking, and investments businesses, members and customers indicated their wish for the business to pursue measures that promote social and financial inclusion.

Access to outlets and channels

Food

The Co-operative Food aims to retain and invest in viable community stores, and is obliged to consult member-controlled area committees on intended store closures, store disposals and new developments. A detailed process involving the area committees and regional boards (page 89) is invoked if a store is considered to be underperforming or loss-making.

Following the merger with Somerfield, The Co-operative operates over 3,000 local community stores – each week serving over 21 million customers – and has a store in every single postal area in the UK bar one. Of The Co-operative Food outlets², 18% (former Co-operative 18%; 2008: 18%) are located in deprived areas³. The Co-operative Food stores represent, on average, 25% (2008: 13%) of the food retail space provided in these deprived areas⁴. Additionally, 18% (former Co-operative 19%; 2008: 19%) of Co-operative stores are located in rural areas⁵.

There are 262 (2008: 252) Post Offices located in The Co-operative Food stores⁶ throughout the country, further contributing to the range of services customers can access through stores. Of the stores containing Post Offices, 20% (2008: 18%) are located in deprived areas and 22% (2008: 21%) in rural areas.

Pharmacy

The Co-operative Pharmacy has a role in ensuring people have good access to medicines and healthcare advice. Of the Co-operative Pharmacy branches, 26% (2008: 26%) are located in deprived areas and 13% (2008: 12%) in rural areas.

All branches offer a prescription collection service, with 92% also offering a home delivery service, which provides vital access to medicines for people who may be unable to easily access their local pharmacy.

Financial services

The Co-operative Financial Services (CFS) businesses offer access to financial products and services through a variety of channels. Customers of The Co-operative Bank and former Britannia can carry out financial transactions at 89 and 245 branches respectively. While The Co-operative Bank and Britannia customers continue to carry out transactions through their respective branch networks and channels, from 2010, Co-operative Bank current accounts can be opened in Britannia branches, which can be managed using the telephone, internet or in Co-operative Bank branches. The Co-operative Bank's customers benefit from access to services via 2,127 cash machines (ATMs), the internet, telephone, Post Offices and a network of Financial Advisers. Britannia offers access to personal financial services through 56 ATMs and a postal banking service. These approaches enable customers to access many services from home.

Additionally, at a time when many other financial services providers have moved away from offering a 'home service' option via Financial Advisers, this channel continues to enable CFS businesses to provide products to individuals who may struggle to overcome some of the physical barriers that contribute to financial exclusion.

In December 2006, following lobbying by The Co-operative Bank⁷, the LINK Network Members Council agreed the introduction of a new financial inclusion premium, which incentivises ATM operators to deploy free-to-use cash machines in financially excluded target communities. The Co-operative Bank currently has 37 ATMs located in such communities, helping to meet basic banking needs in these areas. By the end of 2007, charges were removed from all Co-operative Bank ATMs – either by way of conversion to free machines, or physical removal of the ATM from the site.

Ethical finance

Banking support for small businesses in deprived areas

CFS' provision of finance to small businesses in deprived areas remains significantly above the industry average, despite a small decline in provision from 2008, in line with an overall decrease in lending across the industry.

Performance benchmark

Financial support to small businesses⁸ in deprived areas⁹ as proportion of all equivalent Co-operative Bank activity

	2006	2007	2008	2009	Industry average 2009 ¹⁰
Business current accounts	9.1%	8.0%	6.6%	6.6%	4.4%
Overdrafts	9.1%	6.5%	6.5%	5.9%	3.4%
Loans	9.0%	7.0%	6.4%	5.0%	3.5%
Loan and overdraft balances	16.2%	5.6%	8.9%	8.1%	3.9%

Support for credit unions

The bank is the largest provider of banking to the credit union sector, providing facilities to over 60% of the British movement. Credit unions are financial co-operatives that offer savings and low-cost loans to members, many of whom are unable or unwilling to use more traditional services. The bank provided significant 'behind-the-scenes' IT development, administration and training to facilitate the launch of a Credit Union Current Account.

© During 2009, the account became operational at a further seven credit unions, exceeding the 2009 target and bringing the total number of credit unions offering the account to 24. An average of 223 individual accounts were opened per week in 2009 (to November) bringing the total to 25,180 account holders, an increase of 66% on the previous year-end. The account enables credit union members to: withdraw cash from their credit union account at any ATM machine in the LINK network; use direct debits and standing orders to pay regular household bills; and use a Visa debit card at Visa locations worldwide. As a development, the Credit Union Current Account is considered to represent a 'step change' in the ability of credit unions to promote financial inclusion.

Additionally, in 2009, the bank continued to support the Association of British Credit Unions' main annual conference and its newsletter, Credit Union News, through a contribution of £31,000.

The Co-operative Electrical launched a pilot partnership scheme with credit unions in October 2009, providing credit union members with the opportunity to buy online goods via a credit union loan. The scheme will be rolled out across the UK in 2010.

Basic bank account provision

The Co-operative Bank offers a basic bank account, Cashminder. Features include: an option to pay bills by direct debit (which can yield bill reductions); the ability to have pensions and benefits paid directly into the account; and access to money via a debit card. Research commissioned by the British Bankers' Association in 2006 showed that over three-quarters of adults who had opened a basic bank account felt more confident in dealing with money as a result¹¹. There was a 35% increase, to 182,000 (2008: 135,000), in the number of Cashminder accounts provided by the bank between January and November 2009.

Performance benchmark

In 2009, The Co-operative Bank had a 2.4% market share in provision of basic bank accounts, which slightly exceeds its current account market share of 2.1%¹².

Bank accounts for prisoners

Throughout 2009, work continued on a pioneering project that seeks to enable prisoners to open a basic bank account while in prison. Following a pilot project at Forest Bank Prison, Salford, which started in 2006, The Co-operative Bank now accepts applications from 30 prisons, representing nearly 20% of UK prisons. The total number of accounts opened since the scheme began reached 3,633 in November 2009. This represents more than a two-fold increase since 2008 (1,400), illustrating the demand for accessible financial services amongst this population.

The provision of a bank account can be a vehicle to facilitate employment and housing for offenders leaving prison; factors which are considered key to the reduction of re-offending. Prior to release, prisoners are offered the opportunity to open an account, which will be ready for use on release. Research undertaken by John Moores University in 2009 found that, of a group of over 100 prisoners who opened an account before leaving prison, only 34% re-offended, nearly a third less than the national average of 47%¹³.

Child Trust Funds

The Child Trust Fund is a long-term savings and investment account for children. Until 2010, the Government had made additional payments to children in lower income families through this account, to help them build up a lump sum for when they reach the age of 18. As at December 2009, 107,400 and 40,200 accounts were operating in former Britannia and CFS respectively. Of all accounts opened since the scheme launched¹⁴, 21% and 13% respectively received the additional payments made to children in lower income families. From 2011, additional payments will no longer be made to these accounts by the Government.

Financial education

CFS promotes two financial education schemes, Fit4Finance and Number Partners. Number Partners is a national volunteering scheme that brings together business volunteers and primary schools to improve numeracy skills and achievement. In 2009 over 260 volunteers donated approximately 5,500 hours of their time to the programme, helping approximately 900 children. The Fit4Finance scheme was developed to help improve the financial skills and awareness of secondary school students. Workshops cover topics such as savings and interest, budgeting, and credit and debt. The programme supports the Financial Services Authority's National Strategy for Financial Capability, which is

intended to enable UK consumers to better manage their money. In 2009, over 200 employees coached 3,000 students, devoting over 1,100 hours of time. Evaluations completed after the full-day programme show a 40% improvement in the students' knowledge of personal finance. In 2009, £16,500 was allocated for both education programmes.

Additionally, improving student numeracy is a key objective of CFS' education initiative, Enterprise4Education (formerly Project Formation), which also seeks to develop pupils' interview skills and understanding of the world of work. The programme works with 22 schools and colleges near CFS' offices in Skelmersdale, as well as 15 schools and colleges in and around Manchester and Stockport. In 2009, 680 CFS employees donated 5,170 hours of time to Enterprise4Education and 4,300 young people aged 7–19 benefited from workshops and activities. Following the merger, the above initiatives will become part of the new CFS Skills4Schools programme during 2010.

Affordable housing

The Co-operative Bank's partnership with Places for People provides a shared equity scheme, assists key workers, social tenants and first-time buyers with household incomes of less than £60,000 per annum to purchase their own home, and provides funding for up to 100% of the value of a property¹⁵. As at November 2009, the bank had processed 4,782 Ownhome applications, and completed 1,999 mortgages, with an average value of £109,000 and an average loan-to-value ratio of 63%. In 2009, the Government announced funding would be withdrawn for the third year of the scheme, due to commence in April 2010. Due to the popularity of the product and its open-market availability, the allocation for 2009/10 has been filled, and the bank has stopped taking new mortgage applications. The bank is exploring potential alternatives to this scheme.

Wholesale Loan Fund

In 2007, The Co-operative Bank provided a loan facility of £3m to the Wholesale Loan Fund, launched by Greater London Enterprise. The fund, which totals £3.7m, provides capital to locally-based Community Development Financial Institutions, who, in turn, lend to less advantaged entrepreneurs. As at November 2009, the fund had enabled 184 businesses to start up, maintain jobs, or grow. Approximately a third of all loans from the fund are made to businesses led by women, and half of all loans are made to business owners of an ethnic minority background.

Bank screening of finance

During 2009, seven finance opportunities (2008: seven) were referred to the Ethical Policy Unit in connection with issues of financial inclusion, of which two were declined (2008: five) at an estimated cost of £358,000 in terms of gross income foregone.

The Co-operative Asset Management overseas shareholder resolutions

In 2009, The Co-operative Asset Management (TCAM) was presented with 24 overseas shareholder resolutions relating to social inclusion, of which four were supported and 20 votes of abstention were offered.

Financial inclusion-related business declines in 2009

	Estimated income foregone 2009
Personal loans and loan brokerage provider £10m lending facility for business providing short-term loans at interest rates of up to 200%, as well as brokerage services at charges which were considered exploitative.	£325,000
Cheque encashment £900,000 lending facility for businesses engaged in cheque encashment and provision of short-term loans at interest rates of up to 700%. Charges and interest rates were considered exploitative.	£33,000

The Co-operative Asset Management overseas shareholder resolutions

Company	Resolution	Vote registered
21 businesses ¹⁶	To adopt principles for comprehensive healthcare reform (eg, for universal and affordable healthcare).	Abstained (20) ¹⁷ , supported (one)
JPMorgan Chase & Co, Bank of America Corp, Citigroup Inc.	To report on predatory lending practices.	Supported


Community involvement

The Co-operative StreetGames Young Volunteers

The Co-operative StreetGames Young Volunteers programme is a joint initiative between The Co-operative and the national charity StreetGames that was launched in 2007 (see the Inspiring Young People section in the online version of this Report .

Operating in the 20% most deprived wards in England and Wales, the programme gives young people aged 16–25 the opportunity to develop their sports coaching and community leadership skills through volunteering. The Co-operative invested £228,000 in the project in 2009. The partnership with StreetGames enables the business to make a targeted impact in disadvantaged communities. For some volunteers, this is a route into paid employment; for others, it leads them to set up their own youth-led schemes and initiatives.

By the end of 2009, the scheme had involved 1,157 volunteers, who had donated 27,000 hours of time to their local communities and enabled over 13,000 young people to participate in activities. By 2012, it is intended that over 3,000 young volunteers in deprived communities will have developed their sporting and community leadership skills through the programme.

 The Co-operative has launched a national annual awards scheme, which rewards the most deserving volunteers, based on improved skills, qualifications attained, personal achievements and impact on other young people. Six regional finalists were recognised for their achievements in 2009.



A volunteer coaches young people at a local StreetGames project.

Offenders' art exhibitions

In 2009, The Co-operative entered into a two-year relationship with the Koestler Trust to manage and host two annual exhibitions of offenders' art in Scotland and the North West of England, and also sponsored an awards exhibition in London. The Trust aims to help offenders, secure patients and detainees to lead more positive lives by motivating them to participate and achieve in the arts. In August 2009, an exhibition of artwork was held at The Filmhouse during the Edinburgh Festival and was seen by an estimated 26,000 people. The North West exhibition was held in February 2009 in Manchester.

The Co-operative also sponsored the main Koestler Awards exhibition at the Southbank Centre in London. The exhibition featured over 150 new artworks from across the UK, selected from a record 5,876 entries. In total, over £90,000 was invested in offenders' art exhibitions in 2009.

Influence and action

Bank accounts for prisoners

In March 2009, The Co-operative Bank wrote to the then Minister for Prisons, David Hanson MP, introducing research¹⁸ into the impact of its work to enable prisoners to open bank accounts. This prompted a meeting with the Minister, at which it was agreed that a roundtable be convened with the objective of bringing together and engaging other financial institutions. The roundtable was held in October 2009, hosted by the new Minister for Prisons, Maria Eagle MP. The bank was invited to showcase its activities and used the opportunity to reinforce some of the key recommendations of the 'Banking on a Fresh Start' research; in particular, calling on other financial institutions to become involved in prisoner banking. The bank published updated research in December 2009, and will utilise its new research publication, 'Still Banking on a Fresh Start', to further influence policy makers and financial services providers.

Post Office closures

The Co-operative Retail Trading Group (CRTG; see page 92) is the largest multiple operator of Post Offices in the UK, with co-operative societies collectively running over 500 Post Offices. In addition, CFS offers transactional banking through the Post Office, and the Post Office network is recognised as a valuable channel for its customers.

In early 2009, The Co-operative, in conjunction with the CRTG, made a submission to the Business & Enterprise Select Committee inquiry into the future shape of the Post Office network and was subsequently invited to give oral evidence. This welcomed discussions about an expansion in the delivery of government and local authority services through the Post Office network and outlined The Co-operative's desire to develop a more strategic partnership with Post Office Limited. The Select Committee's subsequent report and recommendations addressed some of the key points highlighted by The Co-operative: highlighting, for example, the need for Post Office Limited to develop partnerships with multiple operators and take their needs into account when developing new services. CRTG continues to seek to influence future developments of the network by fostering a stronger, strategic partnership with Post Office Limited.

Read more in this Report

- Diversity, including: gender, age, ethnicity, sexual orientation and disability (pages 51–55).
- The Co-operative Community Plan (page 15).
- Work on Inspiring Young People (online version of this Report [↗](#)).
- Work experience programme for socially excluded groups (online version of this Report [↗](#)).

Accompanying notes

- 1 www.ica.coop/coop/principles.html
- 2 Including rebranded and existing Somerfield stores.
- 3 Where deprived areas correspond with the most deprived 20% of areas identified in the Indices of Deprivation 2007, www.communities.gov.uk/indices
- 4 Analysis is based on all food stores within a one-mile radius of Co-operative Food stores.
- 5 Analysis excludes stores in Northern Ireland.
- 6 Including four former Somerfield stores.
- 7 The Co-operative Group Sustainability Report 2006, page 59, www.co-operative.coop/corporate/sustainability/overview/downloads-and-archives
- 8 Refers to businesses with an annual debit turnover of up to £1m.
- 9 Where deprived areas are defined as those 5% of postcode sectors equating to the 2% most deprived electoral wards in Great Britain.
- 10 British Bankers' Association (December 2009), Lending to Small Businesses in Deprived Areas 2009, www.bba.org.uk
- 11 British Bankers' Association (March 2006) 'Basic Bank Accounts give customers confidence in handling their finances'.
- 12 Basic bank account market share is based on British Bankers' Association overall market figures (basic bank accounts and financial inclusion 2nd quarter of 2009), and current account stock market share data from GfK NOP, December 2009.
- 13 Jones, Paul A (2009) Still Banking on a Fresh Start, Liverpool John Moores University.
- 14 Figures for CFS and Britannia data are correct as at 31 August and 31 December 2009 respectively.
- 15 Product offers equity loans of between 20% and 40% (part funded by the Government, part funded by Places for People) that can be used alongside a Co-operative Bank mortgage. Customers do not have to make interest payments on the Ownhome loan for the first five years; thereafter, a fixed interest rate of 1.75% will be charged for five years, increasing to a fixed rate of 3.75% for the remainder of the loan period.
- 16 Altria Group Inc, Abbott Laboratories, Apple Inc, Bank of America Corp, Boeing Co, Cintas Corporation, Coca-Cola Enterprises, ConocoPhillips, DIRECTV Group Inc, Fedex Corp, Ford Motor Co, Google Inc, Honeywell International Inc, J C Penney Company Inc, Lowe's Companies Inc, Microsoft Corp, Nucor Corp, Raytheon Co, Southwest Airlines Co, Sysco Corp, Yum Brands Inc.
- 17 TCAM considered that the aim of the proponents was the adoption at a national level of a universal healthcare system, considered a political issue outside the remit of the board's duty to manage the company. Therefore abstention was considered appropriate.
- 18 Jones, Paul A (2008) Banking on a Fresh Start, Liverpool John Moores University.