

SOCIAL INCLUSION

Background

Inequalities in earnings in Britain have risen over the last 30 years, and are high compared with other industrialised countries¹. 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 and giving rise to inequality. Poor money management can have long-term consequences for income, living standards and savings behaviour². 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

As a community retailer, The Co-operative promotes social inclusion through the accessibility of its goods and services. This is particularly relevant for the Food, Pharmacy and Funeralcare businesses within the Trading Group, which aim to provide essential and ethical offerings to as many community groups as possible. The Co-operative Financial Services (CFS) recognises that it can have a significant impact as a financial services business through provision of ethical and inclusive products, complemented by financial education.

The new Ethical Operating Plan (page 13), includes a commitment to continuing to do business in a manner which is socially inclusive, and in ethical policy consultations undertaken for the food, banking and investments businesses, members and customers indicated their wish for the business to promote both social and financial inclusion.

Through its community support and campaigns programme, The Co-operative recognises that inclusion is also achieved via wider social, economic and political participation. As such, opportunities are provided that can develop skills and active citizenship, and facilitate qualifications and employment.

Targets 2010	Progress	Targets 2011
Indicator: Access to products and services		
		EOP Continue to have a presence in every UK postal area, and increase the number of new stores by 300 by 2013.
Indicator: Financial inclusion and education (Performance benchmark and recognition page 52)		
Roll out the Credit Union Current Account to a further six credit unions in 2010.	X The account was rolled out to two credit unions during 2010. It is likely that the economic climate resulted in a lower uptake than anticipated (page 51).	Develop a new three-year strategy for work with credit unions.
		EOP Continue to take a lead on financial inclusion and champion financial literacy among young people.
		Maintain relationships with 90 schools through the Skills4Schools programme and involve a total of 500 trained volunteers.
Indicator: Community support and integration (Performance recognition page 54)		

Access to products and services

The Co-operative 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 is invoked if a store is under consideration for disposal or closure.

Trading Group

As the UK's fifth largest food retailer, The Co-operative operates almost 2,900 local community stores. There is now a Food store in every single postal area in the UK, and each week some 17m customers are served. The Food stores located in deprived areas (page 51) represent, on average, 23% (2009: 25%) of the food retail space provided in those areas³.

Compared to other supermarket users, a significantly higher proportion of Co-operative Food customers travel on foot when making shopping trips, and over a quarter of Food customers are aged 50 and over⁴. A free home delivery service is now offered in 318 stores nationwide, supporting those who may find it difficult to carry or transport their shopping home. The scheme is planned for further roll-out in 2011, and is targeted at stores in areas with low car ownership or a mature demographic.

The Co-operative Pharmacy seeks to ensure people have good access to medicines and healthcare advice. All 771 branches offer a prescription collection service, with 94% also offering a home delivery service, which provides vital access to medicines for people who may be unable to easily access their local pharmacy.

Proportion of outlets in deprived⁵ areas

	2007	2008	2009	2010
Food	18%	18%	18%	17%
Pharmacy	28%	26%	26%	28%
Funeralcare	37%	37%	37%	36%

As the UK's biggest funeral provider, The Co-operative Funeralcare operates 865 branches – open 24 hours a day.

Financial services

CFS offers access to financial products and services through a variety of channels.

Customers of The Co-operative Bank and Britannia can carry out financial transactions at 93 and 245 branches respectively. From 2011, all customers can carry out basic transactions across the entire branch network. In 2010, the pilot of in-store banking – small staffed banking outlets located in Co-operative Food stores – was extended to four locations. This provision is to be further extended in 2011.

The Co-operative Bank at the Matlock food store, part of the in-store banking pilot.



Access to financial services in deprived areas

	2008	2009	2010
Branches in deprived ⁶ areas	–	33%	35%
Stores offering access to financial services via Post Offices in deprived areas	18%	20%	16%

In addition to branch access, customers benefit from access to services via the internet, telephone, cash machines, Post Offices and a network of Financial Advisers. There are 252 (2009: 262) Post Offices located in Food stores throughout the country, further contributing to the range of financial services accessible to customers.

There is no charge for use of any of the 2,183 ATMs, and 37 ATMs are located in communities eligible for a financial inclusion premium⁷. In several remote locations, such as Scottish Islands and Highland villages, the bank believes it is the only ATM provider.

Financial inclusion and education

Banking support for small businesses in deprived areas

Finance to small businesses⁸ in deprived⁹ areas as a proportion of equivalent bank activity remains significantly above the industry average.

Performance benchmark

	2007	2008	2009	2010	Industry average ¹⁰
Business current accounts	8.0%	6.6%	6.6%	6.3%	4.5%
Overdrafts	6.5%	6.5%	5.9%	5.5%	4.7%
Loans	7.0%	6.4%	5.0%	5.7%	3.5%

Support for credit unions

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 Co-operative Bank is the largest provider of banking to the credit union sector, providing facilities to approximately 60% of the British movement, and works in partnership with the Association of British Credit Unions Ltd (ABCUL) to provide a current account and support to its members.

🎯 The Credit Union Current Account¹¹ is considered to represent a 'step change' in the ability of credit unions to promote financial inclusion, and was extended to a further two credit unions during 2010, bringing this to a total of 25 credit unions. It is likely that the economic climate resulted in a lower uptake than anticipated in 2010. A total of 30,597 individual accounts were open at the end of 2010, an increase of 22% on the previous year.

In 2010, The Co-operative Electrical rolled out a partnership scheme with credit unions, providing members with the opportunity to buy online goods via a credit union loan. This aims to prevent members entering into agreements with irresponsible lenders or high interest rental companies. The initiative was available in nearly 80 credit unions in 2010, and it is anticipated that the number of credit unions involved will at least double in 2011.

Throughout 2010, regional Co-operative Membership teams also worked to support local credit unions. Activities included campaigns in local communities to promote responsible borrowing, credit union representation at membership events, and sponsorship of financial literacy events.

The bank continued to support the ABCUL main annual conference and its newsletter, contributing £53,000 in 2010.

In 2011, a new three-year strategy for work with credit unions will be developed, which will be informed by the results of research mapping and evaluating current support for the sector.

Community investment

International development and human rights

Animal welfare

Diet and health

Ethical finance

Social inclusion

Inspiring young people

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Bank accounts at HMP Forest Bank, Salford

The Co-operative piloted bank accounts for prisoners in 2006 at HMP Forest Bank, Salford, and now has opened over 1,000 accounts at the prison.

"The Co-operative Bank's intervention to enable prisoners to open a bank account has been a major contribution to the reduction of re-offending rates of prisoners leaving Forest Bank."

Steve Taylor, Deputy Director, HMP Forest Bank

"Getting this bank account from the Co-op has allowed me to get paid for my job; it has given me a sense of self-respect more than anything and allowed me to feel part of society again."

HMP Forest Bank ex-prisoner



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 shows that over three-quarters of adults who had opened a basic bank account felt more confident in dealing with money as a result¹². There was a 29% increase, to 234,677 (2009: 181,874), in the number of Cashminder accounts provided by the bank from November 2009 to November 2010.

Performance benchmark

In 2010, The Co-operative Bank had a 2.8% market share in the provision of basic bank accounts, which exceeds its 2010 current account market share of 2.3%¹³.

Bank accounts for prisoners

Throughout 2010, work continued on a pioneering project that enables prisoners to open a basic bank account while in prison, ready for use on release. Applications are now accepted from 30 UK prisons (18%). The number of accounts opened since the scheme began reached 5,587 in November 2010, representing a 54% increase since 2009.

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. While it is difficult to wholly attribute causality, 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%¹⁴.

Performance recognition

In 2010, The Co-operative was awarded a Guardian Public Service Award for its partnership with HMP Forest Bank pioneering prisoner bank accounts.

Financial education and employability

CFS' Skills4Schools package promotes three education initiatives to inspire young people and improve numeracy and financial literacy: Fit4Finance, Number Partners and Enterprise4Education. In 2010, over 6,800 hours of business time and expertise, equating to over £93,000, was invested in the programme, supported by learning resources worth over £6,000. Over 500 employee volunteers are involved in the scheme, which benefits 12,000 young people.

CFS' Fit4Finance programme aims to improve the financial skills and awareness of secondary school students. Workshops cover topics such as savings and interest, budgeting, and credit and debt, and support the Money Advice Service's national strategy. In 2010, Fit4Finance extended its reach to include schools in the North West region, including The Co-operative Academy of Manchester. There are now more than 300 trained employees, who during 2010 coached over 2,700 students at 68 schools and devoted over 1,300 hours of time.

Woodcraft First school students take part in Number Partners.



Number Partners is a national volunteering scheme that brings together business volunteers and primary schools to improve numeracy skills and boost confidence levels amongst pupils. In 2010, more than 100 volunteers donated approximately 4,500 hours of their time to the programme, helping approximately 600 children at 25 schools. Enterprise4Education seeks to develop secondary pupils' employability, creativity and problem-solving skills and provide insight into the world of work. In 2010, 132 employees donated 924 hours of time, which benefited 8,792 young people in 112 schools and colleges near CFS' offices.

To support its work on financial literacy, CFS highlighted the importance of financial education programmes for young people and led panel debates, with the Money Advice Service, on sustainable approaches to personal finance within the 'Youth Zone' (page 59) at the Liberal Democrat, Labour and Conservative party conferences in Autumn 2010.

The Skills4Schools programme will continue to recruit and train new employee volunteers. By the end of 2011, the programme aims to maintain relationships with 90 schools, including 15 co-operative trust schools, supported by 500 volunteers.

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 over £4m, provides capital to locally-based Community Development Financial Institutions, who, in turn, lend to less advantaged entrepreneurs. As at December 2010, the fund had enabled 275 businesses to start up, maintain jobs, or grow. Approximately 40% of all loans from the fund are made to businesses led by women, and more than half of all loans are made to business owners of an ethnic minority background.

Support for Shelter



Throughout 2010, CFS promoted an initiative to support housing and homelessness charity, Shelter, through its home insurance product.

From January to September, a targeted group of 'ethical consumers' were offered a home insurance policy which featured a £10 donation from CFS to Shelter. From October this was extended to all customers for three months, during which time CFS gave a £5 donation for every policy opened. Over 30,000 customers have opened policies through this campaign, which contributed to a donation of £250,000.

Bank screening of finance

During 2010, 29 finance opportunities (2009: seven) were referred to the Ethical Policy Unit in connection with financial inclusion, of which six were declined (2009: two) with an estimated cost of £397,000 in terms of gross income foregone.

Financial inclusion-related business declines 2010

	Estimated income foregone 2010
Home-collected credit provider £10m contribution to a syndicated loan facility for a business offering home credit to overseas markets. Research indicates that loans targeting low-income groups at interest rates considered extortionate are common in the home credit sector. Business did not disclose APRs charged.	£320,000
Personal loans (four instances) £2m lending (one instance), transfer facilities (one instance) and banking facilities (two instances) for business providing short-term 'payday loans' at exploitative interest rates of between 1,400% and 2,900% APR.	£76,000
Multi-level marketing Banking facilities for a multi-level marketing distributor. Concern over 'misleading' marketing techniques and minimal returns available to new entrants of such schemes.	£1,000

The Co-operative Asset Management (TCAM) overseas shareholder resolutions

In 2010, TCAM was presented with two overseas shareholder resolutions relating to social inclusion, of which one was supported and one vote of abstention was registered.

Company	Resolution	Vote registered
BB&T Corporation	To report on overdraft policies and practices and their impacts on borrowers.	Supported
East Japan Railway Co	To develop a fund for the maintenance of local and minor train lines.	Abstained ¹⁵

Community support and integration

The Co-operative StreetGames Young Volunteers

The Co-operative StreetGames Young Volunteers is an initiative that aims to improve the life chances of young people through sports volunteering, operating in the 20% most deprived communities across England and Wales. Further details are provided on pages 57 and 58.

Making Opportunities programme

For a number of years, selected Food stores have provided work placements for Mencap clients through the Mencap Making Opportunities programme, which aims to give people with learning difficulties equal opportunities in gaining employment. Since 2008, over 216 Mencap clients have participated in work trials, which has resulted in 92 of those clients gaining permanent paid employment. The Co-operative has committed to permanently recruit all participants who complete their work trial successfully and who wish to take up a position, regardless of whether a vacancy existed at the store – a guarantee offered by no other Mencap partner. In 2010, Mencap was adopted as The Co-operative Charity of the Year (page 20).



Making Opportunities programme

92 Mencap clients have gained permanent employment since 2008

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Performance recognition

The Co-operative received The Employment Award 2010 for its pioneering 'Making Opportunities' scheme at the Business Charity Awards.

Offenders' art exhibitions

The Koestler Trust aims to inspire offenders to lead more positive lives by motivating them to participate and achieve in the arts. In 2010, The Co-operative continued to support The Koestler Trust's exhibitions of offenders' art, providing support for two regional exhibitions (in Manchester and Edinburgh), and the national Koestler Awards Exhibition at The Southbank Centre in London. In total, over £90,000 was invested in offenders' art exhibitions in 2010, which attracted over 40,000 visitors. Additional funding of £164,000 has been committed to support the national exhibition in 2011–2012, and will enable delivery of four regional exhibitions, and four art projects involving young people, over the two years.

Exhibit from The Co-operative Koestler Exhibition, Scotland 2010.



Lifeshare

In 2010, a relationship was established with charity Lifeshare – which works with homeless people in Manchester and Salford – as part of its commitment to deliver benefits to the local community surrounding its new head office (page 63).

In 2010, a donation of £87,000 was provided to the charity, and over two years, assistance will be offered through volunteering and professional development support.

Influence and action

Bank accounts for prisoners

In June 2010, The Co-operative participated in a joint British Banking Association/UNLOCK (the National Association of Reformed Offenders) meeting on access to banking for prisoners. The Bank showcased its activities, reiterated the recommendations outlined in its 'Still Banking on a Fresh Start' research¹⁶, and encouraged more institutions to become involved in prisoner banking. In December 2010, following the publication of the Government's green paper on sentencing and re-offending, a letter was sent to Crispin Blunt MP, Minister for Prisons, to highlight how the provision of bank accounts has been linked to reduced re-offending.

Future of the Post Office network

The Co-operative Retail Trading Group (CRTG) is the largest multiple operator of Post Offices in the UK, with co-operative societies collectively running over 500 Post Offices.

In early 2010, in conjunction with CRTG, a submission was made to the Department for Business, Innovation and Skills consultation on Post Office Banking. This welcomed Government proposals for the Post Office's enhanced role in the provision of financial services, highlighting that 'universal' access to transactional banking by third parties, such as via The Co-operative Bank, is a unique and valued provision, and recommended expanding this functionality to other third-party financial services providers and credit unions. These points were reiterated at an event on Post Office banking held by the All Party Parliamentary Group on Debt and Personal Finance.

In late 2010, the Government Postal Services Bill proposed the separation of Royal Mail and Post Office Limited and consideration of a mutual or co-operative ownership model for the Post Office. In response, written evidence was submitted to the Postal Services Bill Committee outlining the scale and reach of its Post Office interests and mutual democratic ownership structure.

Votes at 16 campaign

Through its campaign and membership of the Votes at 16 Coalition, The Co-operative is seeking to improve the inclusion of young people in society. Further details are provided on page 59.

Fuel Poverty Directive

In February 2010, a response was issued to the Energy and Climate Change Committee Inquiry into Fuel Poverty. This highlighted the role of decentralised energy generation systems, which can be effectively delivered through a community co-operative model.

Accompanying notes

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| <p>1 National Equality Panel (2010) An anatomy of inequality in the UK: Report of the National Equality Panel.</p> <p>2 Taylor, M (2011) The long term impacts of financial capability: Evidence from the BHPS.</p> <p>3 Analysis is based on all food stores within a one-mile radius of Co-operative Food stores.</p> <p>4 Based on research conducted on behalf of The Co-operative by McCallum Layton, July 2010. The research sampled 1,160 households through online polling, which included 151 supplementary interviews with users of The Co-operative Food.</p> <p>5 Where deprived areas correspond with the most deprived 20% of areas identified in the Indices of Deprivation 2007, webarchive.nationalarchives.gov.uk/+/communities.gov.uk/communities/neighbourhoodrenewal/deprivation/</p> <p>6 2008 analysis for the branch network is incomplete, as Britannia estate data is unavailable.</p> <p>7 In December 2006, following lobbying by The Co-operative Bank, 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.</p> | <p>8 Refers to businesses with an annual debit turnover of up to £1m.</p> <p>9 Where deprived areas are defined as those 5% of postcode sectors equating to the 2% most deprived electoral wards in Great Britain.</p> <p>10 British Bankers' Association (2011), Lending to Small Businesses in Deprived Areas 2010, www.bba.org.uk</p> <p>11 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.</p> <p>12 British Bankers' Association (March 2006), Basic Bank Accounts give customers confidence in handling their finances.</p> <p>13 Basic bank account market share is based on British Bankers' Association overall market figures (as at end of 2010), and current account stock market share data from GFK NOP, December 2010.</p> <p>14 Jones, Paul A (2009) Still Banking on a Fresh Start, Liverpool John Moores University.</p> <p>15 Information provided was insufficient to evaluate the financial impact of the proposed fund upon the company and shareholders.</p> <p>16 Ibid footnote 14.</p> |
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