

Hampshire Community Bank

Our goal	The purpose of the Hampshire Community Bank is to help create a strong and sustainable local economy in Hampshire.
The market problem	<p>The UK's banking system is dysfunctional, dominated by 5 banks that prioritise the maximisation of profit at the expense of all else. This model of banking harms local economies. Its consequences include:</p> <ul style="list-style-type: none">• savings are extracted from the local community and lent elsewhere.• small and medium-sized enterprises have problems accessing finance.• local bank staff have no decision-making power and local knowledge is lost.• there is insufficient finance to invest in sustainable development. <p>In this type of banking, there is little coincidence of objectives between the banks and the communities they are supposed to serve.</p>
Opportunity	<p>A new bank that serves the needs of the local community and works with business, councils and local stakeholders will be able to enhance local job creation and sustainable economic growth. The success of the German community banks (1,500 local savings banks and local co-operative banks) over 200 years is evidence that local banking is both beneficial and commercially viable.</p>
Our solution	<p>A not-for-profit (or 'more than profit') Community Bank that is part-owned by a charitable foundation for the benefit of the people of Hampshire. The Community Bank will only lend in Hampshire. The Hampshire Community Bank:</p> <ul style="list-style-type: none">• simplifies access to finance for business investment by small firms.• is proactive in its support of local enterprise.• increases the availability of low-cost, long-term finance for sustainability projects (e.g. energy efficiency and infrastructure).• has a governance structure that ensures that the benefits from the Community Bank are felt in Hampshire, boosting the local economy.
Benefits to Hampshire	<p>Local banking delivers significantly more value to businesses and residents than the centralised model of banking practised by the big high street banks. The benefits for the community include:</p> <ul style="list-style-type: none">• local job creation.• increased business investment and infrastructure spending.• increased rate of business survival and job retention in recessions.• localisation of supply chains.
Key numbers	<p>Our modelling indicates that the Community Bank with circa £16m in start-up capital</p> <ul style="list-style-type: none">• can make up to £70m of loans by the end of the first year of operation.• after ca. five years of operation is likely to have lent over £200m in Hampshire.
Current status	<p>Banking license application journey with the PRA/FCA is progressing.</p> <ul style="list-style-type: none">• Equity of £8m has been raised in Hampshire, with local authorities and the Hampshire universities as major investors.• Since 2015, the Community Bank has been lending to small firms in Hampshire through the 'Green Growth Business Loans' scheme launched thanks to a government Regional Growth Fund award, in cooperation with Future South, Eastleigh Borough Council, the Hampshire Chamber of Commerce and Local First Community Interest Company. Over £1.5m has been lent to small businesses in Hampshire.

About Local First CIC

Local First Community Interest Company started the process of setting up the first locally headquartered community bank in the UK, in Hampshire. Local First envisions that local authorities, universities and other institutions across the UK will in the future form more such independent community banks in their areas, and it will help them in this process.

Small and medium-sized local enterprises (SMEs) are the main employers in the UK and are recognised as an important source of new employment, business growth and business rates. Yet in the UK they have been restricted due to the lack of small banks willing to lend to small firms.

Local authorities and universities are the natural equity partners for the establishment of this new community banking model, together with other community-minded investors. With ownership by a charitable foundation ensuring local anchoring, banking profits will be channelled to local good causes.

Local First CIC is a not-for-profit social enterprise promoting the establishment of community banks. It collaborates with the Association for Research on Banking and the Economy (ARBE), a UK-registered educational charity. Professor Richard Werner is a founder of Local First CIC and trustee of ARBE, and has been pioneering the local community bank idea in the UK.

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NOTE: As of September 2018, Hampshire Community Bank is in the process of applying for a banking licence to the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA). Until authorisation is received please do not take any information on this document to indicate that Hampshire Community Bank is authorised, or as an invitation or inducement to apply to Hampshire Community Bank for any banking services.