

The **co-operative** bank  
good with money

issue 11 | 2011

# insight

Trends. Intelligence. Knowledge.

## Global award winner

The *Financial Times* votes  
The Co-operative Financial Services  
'World's Most Sustainable Bank'

# First Word



By **Keith Alderson**,  
Managing Director, Corporate  
and Business Banking

**As the shareholder-owned banks struggle, The Co-operative Bank is emerging as a market leader.**

The recent conduct of some financial services organisations has left many consumers looking for a fresh banking alternative. In the meantime, The Co-operative Financial Services (CFS), of which The Co-operative Bank is part, continues to drive forwards. CFS has been honoured with the 'Sustainable Bank of the Year' Award 2010 by the *Financial Times* (see page 4). We are particularly proud of this global award because it demonstrates to our national, as well as international peers, that our approach, which marries strong ethics with competitiveness, can deliver outstanding results.

Throughout the 'banking crisis', our business model and strategy have remained consistent. First and foremost, we have continued to operate responsibly. Furthermore, through the effective management of risk, the bank has continued to

perform well financially and remained committed to its core principles; supporting our customers (see pages 5-10), investing in the business sector (see page 11), and maintaining our strategic momentum.

None of us can predict what effect the austerity measures, aimed at the public sector, will have on the wider economy. We can only speculate that in the short term at least, many businesses, our customers among them, may find themselves operating in a much more constrained market.

In an uncertain environment, businesses need a financial partner they can rely on. Here at The Co-operative Bank, I am confident we have the right combination of understanding, expertise and knowledge needed to guide and support our customers through the challenging times ahead.

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## Cutting through red tape

According to the British Chambers of Commerce (BCC) the total net cost of the major regulations to UK businesses, approved since 1998, stands at over £88 billion.

In its *Burdens Barometer 2010*, the BCC says that easing the financial burden of directives would help the business community to create jobs and foster growth. This has motivated the BCC's 'Tax and Regulation Campaign', which aims to ensure that future tax rises do not stifle businesses' ability to drive economic recovery.



Source: British Chambers of Commerce

“ We need to change the balance of power away from the state and back to individuals and businesses. ”

To show its intention to support the business sector, the coalition government has set up a new Cabinet committee. Chaired by Business Secretary, Vince Cable, the Reducing Regulation Committee (RRC) is tasked with lessening the heavy burden of red tape on enterprise.

#### Measuring the impact

In its mission to reopen Britain for business, the RRC announced an immediate review of all regulations in the pipeline, inherited from the previous government, along with proposals

to introduce a new approach that is designed to control and cut down regulations. The general principle applied will be one-in, one-out, where any new regulatory cost is compensated by cuts to the cost of old laws. This measure is part of the coalition government's wider 'Your Freedom' campaign, which aims to transfer much of the state's power to people. Commenting on the RRC Vince Cable said, "We need to change the balance of power away from the state and back to individuals, businesses and communities."

[britishchambers.org.uk](http://britishchambers.org.uk)



## Wind power blows the UK towards a greener future

A study carried out by consultancy firm IPA Energy + Water Economics revealed that Scotland's offshore wind industry could:

- provide a £7.1 billion boost to the Scottish economy by 2020
- create up to 28,000 jobs over the next nine years
- provide 20,000 jobs in related industries.

The study, *Scottish Offshore Wind: Creating an Industry*, is the first comprehensive research into the potential impact of offshore wind on the Scottish economy. Looking at the best-case

scenario in terms of job creation, the report suggests that an industry on the scale of the oil and gas sector could emerge by 2020. But the authors warn that without significant investment in infrastructure and skills training, the projected rate of growth will not be achieved.

The study follows on from the European Wind Energy Association's announcement that it has been a record year for the sector. And the UK leads the way with nearly 50 per cent of all new wind farms being installed here.

[scottishrenewables.com](http://scottishrenewables.com)

## Charities get up to speed

The Internet Advertising Bureau (IAB), the trade body for digital marketing, has teamed up with several high-profile charities and lead bodies to launch a free guide for the not-for-profit sector. It offers tips on search engine optimisation (SEO), which helps to make websites easier to find.

The document, *Search Toolkit for Charities & Public Sector*, features case studies and has been written by experienced practitioners who highlight how effective SEO can be in helping to increase donations, deliver key messaging and build a brand. Visit [iabuk.net/search](http://iabuk.net/search)

## CBI warns of skills shortage

**The UK's business owners fear that they will not be able to find enough highly skilled workers to meet their needs, according to the Confederation of British Industry (CBI).**

In its report, *Ready to grow*, the CBI reveals that the demand for skilled workers will rise with the recovery and of the 700 employers surveyed from a range of companies, half think they will not be able to find the right people. The report's findings also reveal that employers are calling for action to improve the quantity and quality of science, technology, engineering

and maths (STEM) graduates, viewing these skills as vital if the UK is to exploit opportunities in growth areas, such as green technologies and creative industries. Business leaders also want a much greater focus on intermediate and higher level skills, along with a drive to strip out levels of bureaucracy.

Encouragingly, the survey also showed that the majority of employers remain committed to the apprenticeship programme, with both the construction and manufacturing sectors providing the most apprenticeships in the UK. Download a copy of the report at [cbi.org.uk](http://cbi.org.uk)

## Building a new model for social housing

The Chartered Institute of Housing (CIH) has predicted that the so-called 'golden age' of UK home ownership may be coming to an end.

In its report, *Widening the rental housing market*, the authors say home ownership is now out of reach for the 'in-betweens'; households that earn between £12,000 and £25,000 a year, but who are unable to access social housing.

Potentially, this could mean millions of people facing a lifetime of renting on short-term tenancies, which the authors believe prevents long-term life planning. The CIH has called for housing providers to develop a wider range of rental models.

While most social landlords are in no position to be able to provide relief, it seems a solution may come, albeit from an unusual source – the institutional investor. Many are considering setting up private rented sector funds to fuel a new 'build-to-let' housing market.

In the first deal of its kind, the Homes and Communities Agency has agreed to give funding to a major UK developer to build social and affordable homes for private rent. It is hoped this deal could form the model for future agreements.

**Download a copy of the report at [cih.org](http://cih.org)**

# £60bn

**a year could have been saved in the last decade by the public sector.**

It's claimed the savings would not have affected the quality or quantity of public service.

[pwc.co.uk](http://pwc.co.uk)



# The bank wins top honour

Our ethical leadership and financial strength has led to The Co-operative Financial Services (CFS) receiving the *Financial Times* (FT) 'Sustainable Bank of the Year' Award. The global accolade proves that CFS lead the way in ethical business practice.

In winning the highly contested FT Award, CFS beat 110 other financial institutions from 44 countries. This award is a testament to our leadership and innovation in running a sustainable business. It also pays tribute to the fact that at a time of unprecedented economic turmoil, CFS, of which The Co-operative Bank is part, has continued to deliver consistently strong profitability and growth. These factors are important to the bank because it means we are in a position to fulfil our commitment to support new and existing customers over the long term.

## An impressive track record

Our performance is not built on one or two recent initiatives. It reflects nearly 20 years of being at the forefront of sustainability and ethical finance. One judge said, "CFS truly has sustainable banking as part of its corporate DNA. It is unusual to find an institution that has ethics so genuinely embedded."

## Putting principles into practice

Uniquely, we are still the only high street bank with a customer-led Ethical Policy, which defines who we will, and will not, do business with. Since 1992, the bank has declined over £1 billion of finance that did not meet our Ethical Policy criteria. At the same time, following our merger with



**First for sustainability: (l-r) Richard Wilcox, Head of Social Banking, John Reizenstein, Managing Director Corporate & Markets and Barry Clavin, Ethical Policies Manager, all from The Co-operative Bank.**

Britannia, we have increased our corporate lending to over £8 billion, including support for renewable technology and the provision of social investment and microfinance.

“**We are in a position to fulfil our commitment to support new and existing customers.**”

## Acknowledged market leaders

CFS also continues to set the benchmark for accountability and transparency in sustainability reporting. This open manner extends to all other areas of our business, from keeping customers informed to building relationships.

## Protecting our heritage

In pursuit of our vision to become the UK's most admired financial services business, we will continue to push forward with an ambitious programme of sustainability. To find out more about this award, please see the enclosed insert. ■

[co-operativebank.co.uk/corporate](http://co-operativebank.co.uk/corporate)

## Sustainability: facts & figures

# £200m

### pledged to renewable finance

This follows on from the bank's 2007 pledge of £400m to finance green energy and carbon reduction projects.

# £25m

### pledged to microfinance

The bank has created a £25 million fund to help support the development of micro and small businesses, and their owners, in some of the world's poorest countries.

# Customer Focus

Business wins, profiles and success stories



## A driving force

**On the move: (l-r) From Mill Garages Bob Nicholson, Chairman, Bill Ward, Managing Director, Jeff Tabb, Sales Director, Simon Hodggett, Volvo Area Manager and Mark Askew, After-Sales Director, also from Mill Garages.**

The recession, government cutbacks and pressure on corporate perks have left many of the UK's car retailers struggling. Bucking the trend is one Volvo dealership, **Mill Garages North East Limited**. Having navigated the twists and turns of a challenging economy, the company has accelerated its way out of the downturn and is on the road to a period of steady growth, due in part to an increasingly strong relationship with The Co-operative Bank. >

# Customer Focus

< “We started negotiations for the management buy-out (MBO) in February 2008 and signed the deal on the ninth of September. I’ll remember that day for as long as I live,” said Bill Ward, Managing Director of Mill Garages. “It was just before the collapse of Lehmans and Northern Rock was in trouble. The ink had barely dried on our contract and a global crisis was threatening to engulf the financial services industry. The media began to warn of an impending recession and we had just borrowed a significant amount of money to invest in the business. But I was confident and it was the first of many occasions when I’ve been relieved that we chose The Co-operative Bank.”

Although Bill acknowledges 2008 was not the ideal time for an MBO, he felt he had the right ingredients to ensure success: determination, self-belief, 30 years’ experience in the motor industry, a highly capable management team and the full support of Volvo. With the backing of local entrepreneur, Bob Nicholson, Bill prepared his business plan and then began a series of presentations to all the major high street banks.

## Doing the rounds

“We had to contend with the credit crunch, but when has it ever been plain sailing in business? It was hard work but the initial feedback from the local offices of the banks we pitched to was very encouraging. But as soon as we went to the credit committees in London it was another story – they didn’t want to touch us,” said Bill.

“At The Co-operative Bank it was very different. For a start, the bank’s team, led by Jeff Fryer, the Senior Business Development Manager at the North East Corporate Banking Centre, listened to us and had the foresight to see the business for what it was – a solid proposition. And that lay the foundations for the relationship.”

“**The bank’s team believed in the business and the people, took the time to learn about our culture and ultimately shared our vision.**”

He may have secured funding, but Bill and his team could not ignore the industry’s forecast for the sector. Yet, despite prevailing economic conditions, in 2009 Mill Garages managed to exceed both its projected targets and turnover. In fact, in the 14 months following the MBO, the north-east dealership’s turnover increased



On the right road: Bill Ward, Managing Director of Mill Garages, is steering the firm towards success.

“**I can’t praise the bank highly enough. Good, old-fashioned traditional banking has made all the difference to our business.**”

to £95 million and it sold 7.5 per cent of Volvo’s national registration. “Considering our major markets are family and fleet, that was quite an achievement. But the bank supported us all the way. They took a risk in backing us, but their decision was based on years of expertise and knowledge, which we continue to benefit from,” said Bill. “And we were fortunate that the bank’s team believed in the business and the people, took the time to learn about our culture and ultimately shared our vision.”

Bill believes there are several factors that contribute to a successful relationship. But for him, trust and communication are paramount. He and Jim Anderson, the Financial Director, regularly keep the bank abreast of developments in monthly reports. They provide an overview of where the business is and where it hopes to be in the future. That way “we all know exactly what’s going on and we’re prepared. There are no nasty last-minute shocks with us.”

Since becoming a bank customer Bill has grown the business and Mill Garages now employs 44 people, across six regional outlets. It also recently acquired a local Nissan outlet and is in the process of purchasing the Stockton dealership with a mortgage from the bank.

“**But I was confident and it was the first of many occasions when I’ve been relieved that we chose The Co-operative Bank.**”

But there are the inevitable ‘spikes’. With the cuts in public sector spending looming, and 45 per cent of local residents employed in the sector, Bill accepts that in the short term, at least, Mill Garages may find itself competing in a contracting market. But he’s certain that buoyant corporate sales and keeping a tight rein on cash flow should see them through.

When it comes to ethics, Bill admits that the bank’s Ethical Policy didn’t initially strike an obvious chord, but the more he thought about it, the more he realised what Mill Garages and the bank have in common. “Volvo is a trusted brand. It’s safe and has a reputation for innovation and quality. So in some ways, we’re a natural fit with the bank.” The company also works with the local community, recently raising £20,000 for Cash for Kids, and is also involved in several initiatives with nearby schools.

## Mapping out the future

For the next few years the top priorities for Bill and the dealership’s management team are to consolidate the business and continue to work closely with the bank. “To be completely honest, at the time of the MBO, I was willing to consider working with any bank that would offer us the funding,” said Bill. “Since then, the other banks have come knocking but we’re staying put. Good business is about choice, not chance. We made our choice and it’s been repaid. I have every faith in Mark Wharton, our Relationship Manager, and Anthony Nicholson, who’s part of his team.

“Understandably, businesses have lost confidence in the financial industry. The Co-operative Bank seems to be the only bank you can really trust. And it’s not just a case of better the devil you know. I can’t praise the bank highly enough. Their good, old-fashioned traditional banking has made all the difference to our business.”

# Pulling out all the stops for a dental expert



A taste of things to come: (l-r) Kanesh Khilosa, Financial Director, The Dental Buying Group, Mike Chatten, Senior Corporate Manager, Ian Heesom, Senior Development Manager (both from the bank), and John Rochford, Chief Executive, The Dental Buying Group.

Backing from The Co-operative Bank, alongside private equity from Synova Capital, is helping a Cheshire-based provider of dental products and services to realise its growth potential.

To its members, The Dental Buying Group (DBG) is a first-choice supplier. It offers a much more comprehensive range of products and services than any of its competitors, including dental engineering and training in compliance issues and health and safety. Its customers now include around a third of all the country's dentists.

John Rochford, now Chief Executive of The DBG, has worked there for 16 years. He says that the injection of capital from the bank will enable the company to pursue its expansion strategy and provide a better service to its members.

"As part of the management team I was involved in the presentations to prospective lenders," said John. "I got the impression some of them were just going through the motions and ticking boxes,

whereas the bank was genuinely interested in me as a person and in the business. They assured me that they wanted to be involved. And that sense of commitment remains."

“**The bank was genuinely interested in me as a person and in the business.**”

Kanesh Khilosa, The DBG's Financial Director, came on board after the deal was completed, but met Mike Chatten, a Senior Corporate Manager, prior to joining. "We've had a number of meetings and discussed opportunities about how the bank can help us," said Kanesh. "At the moment it's very much a two-way learning process, but I think we'll see the real value of Mike as our relationship continues to develop."

With a highly skilled team, a unique offering and financial resources from The Co-operative Bank, The DBG is poised to take full advantage of the legislative changes targeted at the dental sector that will open up exciting new opportunities.

## Investing in four-star style

Partly funded by the bank, **Hotel Indigo**, a luxury boutique hotel in the heart of Liverpool, is scheduled to open its doors this Spring.

When Simon Matthews-Williams, the Owner of Sanguine Hospitality Ltd, was seeking capital for his latest venture, he was persuaded by an intermediary to consider The Co-operative Bank. "I never realised the bank had a commercial division. But the minute I met Dave Matthews, one of the Senior Business Development Managers, I could tell he was very experienced," said Simon. "He asked us all the right questions and sounded out the right people. The bank's credit team is very stringent but, because we were so well prepared, I was confident about our application. When you're running a business you can't afford to stand still. Considering the figures involved and the deal's complexity, I was impressed by the speed of the process, and all the people we've come across at the bank since then have been first class."

Simon is now in the process of acquiring another site from The Co-operative Estates, and plans to build a Co-operative Food store as part of the new development. "The bank has avoided being caught up in the financial debacle by sticking to its principles and being responsible with its customers' money. That's a lesson which all businesses can learn from."



Be our guest: The 151-room hotel will blend contemporary space with excellent facilities.

## Customer Focus

# Sailing ahead on a wave of funding

The Co-operative Bank South Wales Corporate Banking Centre is assisting **The Cardiff Marine Group** to put its portfolio of waterside businesses on the map and generate employment and revenue in the area.

A multi-million pound refinancing deal from The Co-operative Bank and Finance Wales will enable The Cardiff Marine Group to develop its business and deliver a fully integrated marine operation in Cardiff Bay.

The funding will also give the group's Directors, Christopher Odling-Smee and Drew McDonald, the opportunity to add to their team of marine engineers, as well as their Volvo Penta Centre that serves marine leisure, marine commercial, and industrial customers throughout Wales.

"As you can imagine a project of this scale takes a lot of time and effort – and patience. Some of the legwork was done by accountants and business advisers, PKF. They structured the transaction and brought all the parties together," said Christopher. "It was PKF that

recommended The Co-operative Bank to us and it was fortunate that they did. Without the bank's help we might have had to consider delaying our expansion programme. I'm glad it didn't come to that."

“  
It made a refreshing change not being sold to and they've been true to their word.”

The Cardiff Marine Group also operates the 350-berth Cardiff Marina. It's the largest such centre in the region and includes the first dry-stack storage system in Wales. There's also the retail-focused Marine Village, which consists of 13 businesses employing over 50 people. Christopher and Drew also own the development



Pleasure crew: (l-r) Drew McDonald, Cardiff Marina, Laura Chris Odling-Smee, Cardiff Marina and Andrew Hannah,

company Bayscape, which was established for the development of a mixed use, hotel-led scheme that overlooks Cardiff Bay.

"There are a lot of strands to this business and Andrew Hannah, one of the Senior Business Development Managers from the bank, got to



Pedal power: (l-r) Peter Hargroves with Mike Gill, Corporate Manager at The Co-operative Bank.

# Gearing up for greater growth

With five retail outlets in the south of England, **Hargroves Cycles** is one of the region's success stories, and business is flourishing thanks to the bank.

Peter Hargroves, Managing Director of Hargroves Cycles, has been a corporate customer since 1986. Since then, a combination of loans and overdrafts has enabled him to grow his business.

“  
I respect his advice because it's always based on a long-term view.”

"With support from the bank I have been able to increase my retail and warehousing outlets, and set up an online business," said Peter. "I held a personal account at The Co-operative Bank

before I became a corporate customer so I thought I knew what to expect service wise, but I can honestly say that relationship banking has brought a new dimension to my business."

Mike Gill, Corporate Manager, based at the Oxford Corporate Banking Centre, handles the relationship with Hargroves. "We have a very open relationship where we can discuss ideas, but we arrive at an outcome together," said Peter. "I respect his advice because it's always based on a long-term view rather than a quick fix. I trust Mike and the bank. How many businesses can comfortably say that these days?"

## Customer Focus



Shaw, Corporate Finance Director PKF South West and South Wales, Dave Perez, Portfolio Executive, Finance Wales, Senior Business Development Manager at The Co-operative Bank South Wales Corporate Banking Centre.

### Blackpool Council win

Already the preferred financial provider to UK local authorities, the bank is continuing to increase its market share.

As a Co-operative Bank customer, with effect from April 2010, Blackpool Council has been offered a range of financial and added-value services that can help it to cut costs and achieve its strategic goals. "We're delighted to be working with Blackpool Council," said David Dunn, Head of Public Sector Banking. "At a time when the UK's local authorities are under pressure, we can help them to deliver frontline services more cost-effectively."

### Property win top award

The Co-operative Bank's Property Finance Team scooped up the 2010 Insider Media 'Property Finance Award'.

The cream of the northwest's property community came together at Manchester Central Convention Complex to celebrate the successes of the industry. Some 870 guests attended the event, viewed by many professionals as one of the very best for showcasing the regional property market.

The entries are judged by an independent panel selected for their expertise in the areas covered, ranging from urban regeneration through to property investment and funding. Commenting on The Co-operative Bank's award the judges remarked, "They're the most visible bank and the one you hear consistently good things about."

Following the 2009 merger of Britannia with The Co-operative Financial Services, the teams from both organisations have combined to form a single Property Finance Team. The new unit has 26 specialists, including 11 Relationship Managers, and is headed up by Phil Basten.

grips with them. He understood our needs and explained that the bank could create specific financial solutions for us," said Christopher. "It made a refreshing change not being sold to and they've been true to their word." Day-to-day the relationship is managed by Senior Corporate Manager, John Williams. "This is a relatively

new partnership so we're still getting to know each other, but John is very accessible," said Christopher. "We meet regularly and I know that if I phone or email him, he'll get back to me. That's important because we're a dynamic company in a fast-moving industry and often need to make quick decisions."

## Hall Fire Protection Ltd proves a hot prospect

As one of the leading independent fire protection contractors in the UK, the company prides itself on building long-term relationships with customers and meeting their needs using its wealth of expertise.

Mike Green has worked at Manchester-based Hall Fire Protection Ltd for almost 25 years. Now the company's Managing Director, Mike, along with Chris Mills, the Finance Director, and Mark Foulger, the Operations Director, led a management purchase in March 2010. Since then, The Co-operative Bank has been the company's sole banker. "In the period leading up to the deal we saw a lot of Paul Edmonds and Steve Fishburn from the bank's business

development team. Steve's knowledge and commitment, in particular, were instrumental in helping us secure the finance," said Mike.

“**Since then the bank has left us alone to get on with what we do best – running our business.**”

“There were a number of lenders interested in us but the bank's team convinced us they would deliver and they have. Since then the bank has left us alone to get on with what we do best – running our business – and that's an approach Chris and I very much welcome. This is the start of a new chapter for the company and we're looking forward to working with the bank.”

## Customer Focus

# Toasting success



**Celebrating partnership: (l-r) Chairman, Michael Turner and Finance Director, James Douglas outside The Scarsdale Tavern, which is owned by Fuller's.**

A similar approach to business and a strong financial track record helped to convince **Fuller, Smith & Turner P.L.C.** to become bank customers.

Award-winning Fuller's is now London's only remaining traditional family brewer. The company prides itself on providing a quality product and great customer service, and expects the same high standards from its banking partner. As one of nine banks that tendered for its business, The Co-operative Bank is part of a three-bank group lending to Fuller's.

“**Beyond the financial mechanics, they have operated in an efficient, responsive and friendly manner.**”

“We felt the bank really understood our business, our attitude to risk and what we were trying to achieve with the structure of the loan. This meant they were able to be competitive and also meet our requirements,” said James Douglas, the company's Finance Director. “But beyond the

financial mechanics, they have operated in an efficient, responsive and friendly manner throughout, which is just as important.”

The lending facility could be the start of a much wider portfolio of provision, as the bank has also been invited to tender for Fuller's merchant acquiring and cash banking business, following “exemplary service” throughout the previous tender process. “The way the bank responded to our requirements was what really set them apart. We were demanding and it appeared to us that the bank's flatter management structure allowed them to make decisions that larger, hierarchical banks couldn't,” said James.

Like the bank, Fuller's supports organisations that help others and has helped to raise over £1 million for Cancer Research UK. The company also raises funds for a variety of causes, from local schools to major national charities.

## Crowning a lifelong ambition

The Co-operative Bank's South Manchester Corporate Banking Centre has provided funding for **The Cheshire Dental Centre** in Crewe's town centre, and helped a graduate realise her dream.

The full-service practice is owned by dental hygienist and dental therapist, Stephanie Murray. Although in her twenties, Stephanie had gained valuable experience at other dentists in the area, which helped her present the bank with a viable business plan. “I've always wanted to run my own business. Some friends from the Isle of Man recommended The Co-operative Bank and, although we did consider two others, I'm glad we chose them as they have been flexible, easy to deal with, and are customer focused.”

Despite taking over a well-established venture, Stephanie has a five-year expansion plan, and is looking to the bank for ongoing support. As well as extending the opening hours and recruiting additional professionals, she hopes to refurbish the premises and develop an outbuilding that can be leased to a complementary business.



**All smiles: (l-r) Sandra Pierce, Care Co-ordinator and Stephanie Murray, Proprietor.**

# Spotlight on Scotland

In response to customers' needs, The Co-operative Bank is launching a **Scottish Specialist Charity Team** and expanding its **Renewable Energy Team**.

Mike Grigor, Regional Manager for Charities and Social Enterprise Banking, joined the bank in the summer. "The expansion of our Specialist Charity Team complements our existing Corporate Teams. It means that we now offer corporate banking, as well as extensive expertise in the charity sector," he said.

“

**I want the bank to be the main choice for the sector; known for its quality service, strong relationship banking and ethical proposition.**

With nearly 30 years' banking experience, with the past five specifically with the not-for-profit sector, Mike has been tapping into his existing network and introducing himself to the professional market. "The good thing is The Co-operative brand is very strong in Scotland and I can leverage that. For now I'm concentrating on letting people know we are here, but long term I want the bank to be the main choice for the sector; known for its quality service, strong relationship banking and ethical proposition."

Scotland has a global reputation as the energy power house of Europe. Chris Rodgers, Senior Manager in the bank's Renewable Energy Unit, is expanding this division to help customers realise the sector's potential. Here are two customers who have benefited from the bank's expertise.

## Life's a breeze

By harnessing the area's abundant natural resource, the owners of **Bruxiehill Wind Energy Limited** are enjoying a greener way of life.

Elaine Booth and Peter Robertson live at Ednie farm, which has been in Elaine's family for four generations. They decided they wanted to diversify, but without putting the business at risk.

“

**Business is conducted in a relaxed, informal, but professional manner.**

"We've been considering a wind farm for years but it wasn't until this project came along that we thought we could make it happen," said Elaine. "It presented an ideal opportunity for us to lower our carbon footprint and contribute to Scotland's ambitious renewable energy targets."

The couple approached the bank in 2008 and haven't looked back. "The bank's expertise in renewable energy and a team who are always available to help address issues has been invaluable," said Peter. "Business is conducted in a relaxed, informal, but still professional, manner and this suits those involved in this new and growing industry."

The turbine went into operation in December 2009 in an area well-known for its energy production. "We are part of the local community and as such we want to support neighbouring enterprises and suppliers, and that's something our wind business has enabled us to do," said Elaine. "In time, we think we'll do another one."

## An efficient energy plan

Participating in other wind farm-based projects gave Mike Davis, a farmer based in Aberdeenshire, the knowledge and confidence to set up **Tetro Energy** and install his own turbine.

"My wife and I went to a meeting held by industry specialist ENERCON, met some members of the bank's Renewable Energy Team and it started from there," said Mike.

“

**We talked, visited a couple of potential sites and the relationship started to develop. I liked the fact that they understood my concerns and were very practical.**

"We talked, visited a couple of potential sites and the relationship started to develop. I liked the fact they understood my concerns and were very practical," said Mike. With partial funding from the bank and an injection of his own capital, Mike got the project off the ground and the turbine was commissioned in February 2010. "It's a huge undertaking both personally and financially, but I'm already talking to the bank about other projects," said Mike. In the meantime, he's developing a business model that will allow other farmers to participate in renewable projects on their land.

**First of many: With his turbine fully operational, Mike Davis is planning to help with other projects.**



# Shaping a different Britain?

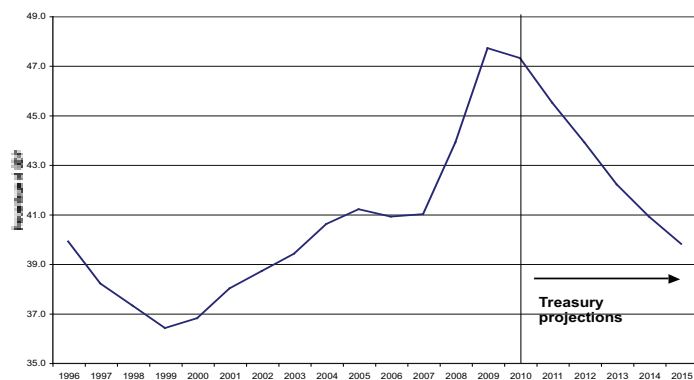
**The names people give to new babies are often a very good indicator of the popularity, or otherwise, of public figures. Looking forward it is hard to see there being many baby Georges (as in Osborne) in the near future! Public sector expenditure cuts and their social and economic aftermath seem likely to dominate the news for months. Consequently, Mr Osborne is likely to have few namesakes.**

But are we over-reacting to what, for the media, provides a classic 'bad news' story? Not exactly. The baseline figures tell a sobering story about the scale of the cuts. International comparisons also indicate the type of Britain that the coalition government is aspiring towards.

## Cutting costs and mounting debts

Let's start with public spending itself. Figure 1 gives the basic picture, with public expenditure rising sharply throughout the New Labour years, and most rapidly post-2007. In fact, during the 2007-2009 period, the UK was in good company in Europe, with expenditure rising in almost every country. However, expenditure and debt rose more quickly here than almost anywhere else.

**Figure 1: Total Public Expenditure as a percentage of GDP: Data and projections**



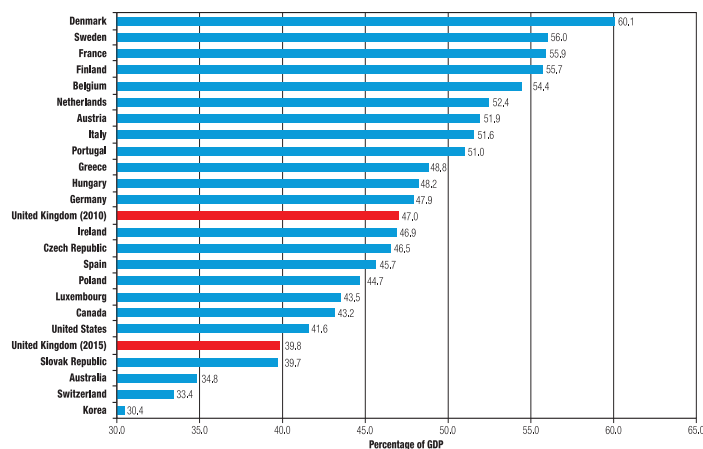
Source: HM Treasury

Figure 1 also gives the Treasury projections on the dramatic public expenditure cuts through to 2015. In fact, the expenditure cuts will be worse than Figure 1 suggests due to the sharp increase, post-2010, of the cost of financing the public debt. Worse still, the cost of this debt repayment is unpredictable, depending as it does on global trends in interest rates and the attractiveness of Sterling investments to international investors.

What does all this mean for business? Well, it clearly means tough times ahead for those seeking public sector contracts and increasingly strong price competition. It also suggests an increased emphasis on achieving short-term cost savings through public sector procurement. This is likely to favour larger firms, which can achieve scale economies, and rule out more innovative solutions, which may deliver longer-term public value.

New opportunities will emerge, however, as the expenditure cuts bite and as we see a retrenchment in the overall reach of the public sector. International comparisons suggest something of the scale of what the government is envisaging here. Figure 2 gives the OECD league table of public spending for 2010 with the UK (2010) relatively near the middle of the pile alongside Germany and Ireland. Now, assuming the Treasury forecasts for future public expenditure are true, the UK (2015) drops dramatically down the league table, ending up below the US and Canada.

**Figure 2: Public Spending as a Percentage of GDP: OECD Economies and UK 2010 and 2015**



Source: Figure 1 and OECD Economic Outlook 87, 2010, Annex 25 ([oecd.org/document](http://oecd.org/document))

Those who have travelled to Germany and the US or Canada will appreciate the enormity of what is being suggested here; the transfer of public sector activities to the private sector. In political terms this suggests a profound shift away from a public sector consistent with a European social market economy, towards the private sector dominated markets of North America.

## Investing our way out of trouble

Some might say "about time too" and a smaller public sector could create a more broadly based private sector with greater growth potential. So, the UK may gain from growth in the long run. But generating this growth, and taking advantage of the opportunities presented by the retrenchment of the UK public sector, will require private sector investment. And such investment will be essential if the government's plans are to work.

Another almost inevitable consequence of public sector cuts is the likely increase in industrial disputes. This may primarily involve public sector workers but could disrupt business in the private sector. Risk assessments of significant contracts will be important, with potential responses also including adjusting stock levels and seeking alternative suppliers of crucial components or services. By George we live in interesting times! ■

The author, Stephen Roper, is Professor of Enterprise at Warwick Business School. **Contact [Stephen.Roper@wbs.ac.uk](mailto:Stephen.Roper@wbs.ac.uk)**

# Helping to combat fraud

Electronic payment is widely regarded as one of the most secure ways to move money, but with the ongoing threats of fraudulent behaviour, businesses should take steps to fight against fraud.

The National Fraud Authority estimates that fraud costs the UK over £30 billion per year.

Following the introduction of Chip and PIN, which offers greater levels of protection and increased layers of security, there was a rise in other types of fraud, including payment fraud e.g. Direct Debits and transfers.

## An ongoing crime to watch out for

Nicola Lowe from the bank's Financial Crime Management Team explains. "We are noticing an increase in fraudulent attempts to make payments. The fraudsters obtain the bank details of customers and use the information to attempt to create fraudulent payments and

credit an account often specifically set up to receive the fraudulent proceeds."



**We are noticing an increase in fraudulent attempts to make payments. The fraudsters obtain the bank details of customers and use the information to attempt to create fraudulent payments.**



We recommend that all businesses take the following steps in order to help keep their assets secure.

- Regularly review and reconcile your bank account, looking out for any discrepancies

or payments that have not been set up by you. Immediately report any irregular activity either directly to your Relationship Manager or to our Relationship Account Support Team.

- If you hold an account where you do not expect to be making payments, let us know. We can support you by putting necessary controls in place on your account to prevent payments from being set up.

For more information about fraud prevention and how the bank can help you, visit [co-operativebank.co.uk/security](https://www.co-operativebank.co.uk/security) or speak to your Relationship Manager. ■

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# Business Masterclass



Getting the message across: Some of the UK's best-known companies have been inspired by Paul McGee.

**PMA International Ltd is a training and education company run by Managing Director, Paul McGee.**

Paul McGee is one of the UK's leading speakers on the subject of change, workplace relationships and motivation. His provocatively titled book, *SUMO (Shut Up, Move On)*, became an instant best seller as did his follow up, *SUMO Your Relationships*. In January 2010, Paul's book on self confidence reached number one in the WHSmith business book chart and remained there for 12 weeks. Building on his background in psychology, Paul's aim is to deliver practical messages that make an immediate impact on people's lives. His unique approach is both inspirational and humourous, and his work has been endorsed by politicians, as well as some of the UK's most influential business leaders.

**Giving presentations** fills many people with dread, but Paul McGee says with a bit of know-how it's easy to make the right impression.

## **It might seem obvious but think about your audience**

Before preparing your talk, remember to ask yourself – Who are the audience? What are you telling them? How much do they know already? This will help you to tailor each talk. And never be tempted to repeat the same presentation, it will sound stale to you and your audience.

## **Make your message clear**

If you try and cram too much content into the time available, people get brain overload. A good presentation should always have a key takeaway. Two days after the presentation, the audience will only remember one thing. You have to decide what you want that to be and make sure they don't forget it.

## **There's no substitution for preparation and rehearsal**

Reading a speech from a piece of paper is the worst thing you can do, especially if you lose your place! But 'off-the-cuff' doesn't necessarily mean unprepared. All the best off-the-cuff speakers have usually rehearsed for hours. How many times have you seen people die on stage because they think they can wing it? Don't be fooled into thinking

because the PowerPoint is done you're ready to go. Time spent rehearsing is time well spent.

## **Do what some politicians do and use stories**

The messages that stick in the mind are those that are told through stories that people respond to, so it helps if you can paint a picture in their heads. Humour and personal anecdotes, particularly self-deprecation, work well too and can also help an audience to warm to you. But test your humour out on a colleague first. Remember you're not a stand-up comedian and a bad joke can backfire.

## **Be creative with your medium**

There's a very good reason for the phrase 'death by PowerPoint'. Use it sparingly. Slides are good but if you do use them, write single words on each one rather than sentences.

## **Banish boredom by varying your delivery**

The way you say something is equally, if not more, important as what you say. Anything repetitive makes people nod off, so mix up the way you deliver information. Referring to a current news event makes a presentation

relevant and spontaneous. Think about starting with a striking statistic or a poignant question and you can give an idea a twist by pairing it with an anecdote or an unusual example. The audience will remember it because you have made a connection that they've never made before. But don't be too wacky. The aim is to make it memorable and different, but not so different that you alienate your audience.

## **Hand out handouts... at the end**

You want the audience's full attention while you're presenting so don't give them something to read while you're talking to them. And if you do decide to prepare a handout, make sure the information is not the same as that given in your presentation, but contains additional material.

## **Create an air of confidence by using positive body language**

Making regular eye contact and encouraging feedback shows that you feel comfortable and gives people confidence in you. Keep your hands out of your pockets and don't fidget; it's a sure sign that you're nervous, which you shouldn't be if you've followed the tips! ■

[thesumoguy.com](http://thesumoguy.com)

# The new tax regime offers benefits to business owners



The most recent Budget saw the introduction of some significant changes to Capital Gains Tax (CGT) and Entrepreneurs' Relief. Here **Rick Schofield** from the

Manchester office of accountancy firm **Baker Tilly** explains what it means for businesses.



On taking power, the coalition government announced it had agreed to bring the rate of CGT for individuals, in respect of non-business assets, more in line with that of the higher rate of income tax.

It was felt that the differential between the recently introduced 50 per cent highest marginal rate of income tax and the 18 per cent maximum rate of CGT was too great, and would encourage an increase in the use of artificial schemes aimed at converting what would have been income into capital gains.

Whilst a narrowing of the gap was widely predicted to be announced in the Chancellor's Budget in June, most were surprised that an immediate increase in the CGT rate to 28 per cent was announced, rather than the change being deferred until 6 April 2011.

## Who will be affected?

Not everyone will be affected; in fact the increase is aimed at those whose combined total taxable income and taxable gains are above the higher rate income tax threshold.

If an individual has total annual taxable income and gains of less than that threshold, capital gains are taxed at the previous rate of 18 per cent. This means that those who are used to paying income tax only at the basic rate could still pay 28 per cent on any significant capital

gains made on the sale of non-business assets, such as a share portfolio or a second home.

## Entrepreneurs' Relief

On the positive side, the Chancellor announced that there will be an increase in the level of gains an individual can make on 'business assets' and still pay CGT at an effective rate of 10 per cent.



**Not everyone will be affected; in fact the increase is aimed at those whose combined income and taxable gains are above the higher rate income tax threshold.**



Here the Entrepreneurs' Relief lifetime limit was increased so that the first £5 million of qualifying gains are subject to the lower rate – significantly above the previously announced increase from £1 million to £2 million from 6 April 2010.

No major changes were made to the qualification rules, which means that, in most cases, a sale of a business or shares, where the shareholder works for the company, owns more than five per cent of the shares and has held them for more than one year, will qualify for the lower rate.

It's too early to say whether or not the extension of Entrepreneurs' Relief will encourage more

individuals to try and start up and grow their businesses. It remains to be seen if it prompts an increase in mergers and acquisitions (M&A) activity. What is certain is that Entrepreneurs' Relief is a complex technical area and business owners should take independent advice before undertaking any transaction.

## What does this actually mean?

The good news is if you are an entrepreneur growing a business for sale, you should get to keep a greater proportion of the proceeds you receive on that disposal.

However, if you own a business which is not trading – for example, a property investment company – then the recent changes have added an extra 10 per cent to the tax bill.

Equally, if you have, like a number of people, invested in second or third properties which you are viewing as your retirement pot, it is now likely that you will be looking at a higher tax bill if you do expect to sell those properties at a future date.

If you are interested in finding out more or need further clarification about the changes to CGT or Entrepreneurs' Relief and how they might affect you, the first thing you should do is contact your accountant. ■

[bakertilly.co.uk](http://bakertilly.co.uk)

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Tel: 0121 212 1900  
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Tel: 0161 829 5118  
Email: [phil.basten@cfs.coop](mailto:phil.basten@cfs.coop)

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Tel: 0161 829 5630  
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Tel: 0161 829 5113  
Email: [steve.jackson@cfs.coop](mailto:steve.jackson@cfs.coop)

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Tel: 0845 727 0845  
Email: [iwooldridge@cfs.coop](mailto:iwooldridge@cfs.coop)  
[sarah.campbell@cfs.coop](mailto:sarah.campbell@cfs.coop)

What's your view? Get in touch by emailing us at

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or write to *insight*, Corporate Marketing, 4th Floor, Miller Street, Manchester M60 0AL

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