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Fondul Social European
POSDRU 2007-2013



Instrumente Structurale
2007-2013



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PROTECȚIEI SOCIALE ȘI
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UNCARSR
Fundația Națională a Caselor de A. și P.
Asociație de Dezvoltare și Solidaritate

Investește în oameni!

Proiect cofinanțat din Fondul Social European prin Programul Operațional Sectorial Dezvoltarea Resurselor Umane 2007 – 2013

Axa prioritară: 6. „Promovarea incluziunii sociale”

Domeniul major de intervenție: 6.1. „Dezvoltarea economiei sociale”

Titlul proiectului: ICAR Incluziune prin microcredit și Ajutor Reciproc – strategie sustenabilă a economiei sociale pentru ocupare și creare de întreprinderi sociale

Cod Contract: POSDRU/173/6.1/S/148102

Best practices in micro-finance institutions UK

A. Identification data	
1. Name of the organisation	Co-operative & Community Finance - trading name of the Industrial Common Ownership Finance Ltd ICOF family of businesses - subsidiary companies, <ul style="list-style-type: none"> - ICOF Guarantee Company Ltd - Industrial Common Ownership Fund plc (ICO Fund plc) and two free standing industrial and provident societies for the benefit of the community for which ICOF acts as fund manager <ul style="list-style-type: none"> - ICOF Community Capital Ltd (Community Capital) and - Community Shares ICOF Ltd (CSI)
2. Location/Address of the organisation	Brunswick Court, Brunswick Square, Bristol BS2 8PE
3. Website	https://www.coopfinance.co.uk
4. Mission statement	We provide sympathetic loan finance to help people take control of their economic lives and create social benefit. Co-operative & Community Finance exclusively serves the co-operative and social enterprise sector, through the provision of accessible finance. The organisation helps to create and preserve thousands of jobs within the social economy and the set up of many new and innovative co-operatives, employee buyouts, and community enterprises.
B. Good practice of the organisation	
Aspects of the organisation that demonstrate good practice (please choose the best performing activity of your organisation):	<ul style="list-style-type: none"> - Accountability to the membership - Loans for a business purpose - Activities to improve clients' financial capability - Financial services to disadvantaged clients/ social enterprises
<ul style="list-style-type: none"> - Accountability to the membership - Loans for a business purpose - Activities to improve clients' financial 	



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capability

- Financial services to disadvantaged clients/
social enterprises

C. Context:

1. Year of registration

The first company, Industrial Common Ownership Finance Ltd, was set up in 1973 and we have since created a number of related funds, all off which are democratically owned and controlled by the members.

2. Context of start-up – profile of the founding stakeholders and their economic social rationale.

Industrial Common Ownership Fund ICOF, the original name of Co-operative & Community Finance, was inspired by the principles and practice of Scott Bader, one of the largest common ownership co-operatives in the UK. The idea was to encourage successful common ownerships to lend money to CCF which would then be lent on to new co-operative ventures – a revolving loan fund, to which money is repaid and lent again.

Donations, deposits and loans were our source of capital as the banks would not take the risk of lending to employee owners. By the end of 1976, £60,000 had been lent to a total of 14 co-ops, cumulative losses were at 6.7%. The net asset value of ICOF was in deficit at just under £4,000 – a slow shaky start by all accounts.

Common ownership is a principle according to which the assets of an organization, enterprise or community are held indivisibly rather than in the names of the individual members. The principle is typically implemented through inserting two clauses in a company's Memorandum of Association, or an industrial and provident society's rules: the first provides that the company's assets shall be applied solely in furtherance of its objectives and may not be divided among the members or trustee, and the second provides for "altruistic dissolution", an "asset lock", whereby if the enterprise is wound up, remaining assets exceeding liabilities shall not be divided among the members but shall be transferred to another enterprise with similar aims or to charity. In 1976, the British Parliament passed the Industrial Common Ownership Act ("ICO Act") promoting the creation of over 2,000 worker's co-operatives and establishing a £250,000 rotating loan fund managed by Industrial Common Ownership Finance Ltd (ICOF) which since then has established other funds, some endowed by public bodies, and others raised through public subscription. This was the start of the ethical investment movement in Britain.

ICOF plc was formed in 1987 as a subsidiary of ICOF Ltd with the specific purpose of raising capital by public share issue. Preference shares were offered, redeemable after 10 years, and £550,000 were purchased. This was both a successful and a pioneering approach to ethical investment. It was also innovative in that it spread shareholders' money across a wide portfolio of loans to reduce risk to the investor.



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ICOF Community Capital was established in 1994 as a new UK investment society offering individuals and organisations withdrawable membership shares. £450,000 was raised and although lending got off to a slow start, Community Capital has become the ICOF fund in most demand. Regenerating the social economy and empowering local communities were very much political strategies for neighbourhood renewal in the late 1990s.

The Co-operative Community Shares Fund was set up. This new fund focuses on supporting community share issues; typical beneficiaries include renewable energy projects, community owned pubs and shops and supporter-owned sports clubs.

3. What are the main services of the organisation? Please describe them in a few words referring to:

- Savings
- Loans
- Mortgages
- Financial aid / insurance in case of sickness/death/ etc. (for clients)
- Loan for business purpose
- Current accounts
- Online access to accounts and information
- Other services

Loans for business purpose to enable democratic ownership and control.

Co-operative & Community Finance lends to organisations that are owned and democratically controlled by their members, who are usually either employees, customers or members of a community. Loans from £10,000 to £75,000 are readily available, being able to lend up to £150,000 using other funds.

4. Geographic and other coverage with respect to the provision of services (common bond).

Co-operative & Community Finance has national coverage.

D. Ownership and membership

1. What is the ownership structure of the organisation? Please refer to: profile, number of member shareholders by type, and relative shares held.

Members include investors, borrowers and supporters. Membership is open to both individuals and organisations. Every organisation that receives a loan from CCF automatically becomes a member. Each person or organisation that buys shares in ICOF Community Capital Ltd or Community Shares ICOF Ltd automatically becomes a member. Any person or organisation who supports our aims may become a member by completing the online application form and paying a one-off membership fee (currently £30).



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de Tip Nou pentru Încălzirea și Încălzirea

	All our borrowers automatically become members. Membership of CSI is open to organisations who have bought shares in the society. However, at present CSI is not seeking any further investment.
2. Please describe any mergers and transfers of engagement.	Not the case.
3. Please describe the main changes in membership (number and structure)/ ownership over the last 10 years.	Not the case.
4. Describe in a few words the voting rights of stakeholders.	Not the case.
5. If membership based, what are the conditions to become a member? Please describe the entry policies and conditions (e.g. residence area, profession, religious background etc.)	Membership of ICOF Ltd is open to any individual or organisation who supports our aims and who pays a one-off membership fee (currently £30). Membership of Community Capital is open to individuals or organisations who have bought shares in the society. The minimum investment is currently £250. Membership of CSI is open to organisations who have bought shares in the society. However, at present CSI is not seeking any further investment.
6. Is a capital contribution required? If so, how much?	The capital contribution is £30 for individuals or organisations who support the aims of Co-operative & Community Finance and £250 for individuals or organisations who have bought shares in the society.
7. Please describe the major changes in ownership during the organisation's history, if any.	Not the case.
E. Governance	
1. Describe the governance structures of the organisation (general assembly, board, management, committees, etc.), number of members and method of selection (appointed or elected and by whom), term of election, representation criteria (e.g. gender balance).	<p>Management and accountability</p> <p>ICOF Ltd is the only one of the five organisations to employ staff. ICOF Ltd directly manages the business of its two subsidiaries and is contracted to manage Community Capital and CSI. ICOF Ltd is able to do this because it is authorised and regulated by the Financial Conduct Authority in the conduct of investment business.</p> <p>Board of directors</p> <p>ICOF Ltd, Community Capital and CSI are managed by elected boards of non-executive directors who are appointed by the members at the Annual General Meeting. At present the boards of ICOF and Community Capital comprise the same people although this not a requirement. The same directors are on the board of CSI and there are also representatives from some other organisations.</p>



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	<p>Each year one third of the directors of each board retire from office to make way for an election. Directors receive no remuneration for their involvement.</p> <p>The shareholders of ICO Fund plc have one representative on the board of ICOF Ltd.</p> <p>Two members of the board of ICOF Ltd are also directors of ICOF Guarantee Company Ltd.</p>
2. What are the main responsibilities and roles of the various governance bodies?	Directors set the strategy and overall direction for ICOF, a sub committee (Management committee) ensure the strategy is implemented, and staff manage day to day operations.
3. How often and in which form does the governance structure give reports and other information to the clients? How are clients kept informed with all the aspects that concern the activity and the management of the organisation?	Clients are kept up to date through the annual report and newsletters every 6 months.
4. Does the organisation undertake annual external audit verification? Please describe the procedure.	Yes, the organisation undertakes an external audit annually.
5. Does the organisation undergo internal audit verifications? Please describe the procedure.	Co-operative & Community Finance follows FCA procedures - a credit committee meets to approve loans and the Management Committee ensures best practice.
6. Are there external independent board members?	Co-ops UK has one of the independent board members.
7. Describe management and board salary/ compensation policies and how they are decided/determined.	There are no compensation for Board members, except their expenses related to their activity. The staff is linked to NJC Scale with increments based on performance of ICOF and length of service.
F. Services and products	
1. Please give a detailed description of each of the services and benefits offered to the clients.	<p>Loans to:</p> <ul style="list-style-type: none"> • Start-up - New enterprises - new co-operative, community business or social enterprise with the loan needed to complete a start up finance package, and also an objective appraisal of your business plan. • Workers' co-operatives - ranging from 2 members to over 100, understanding better than most financial advisers and lenders the particular dynamics of a co-operative working environment. • Employee buyouts - help employees buy their businesses and convert them to democratic employee-



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pentru Dezvoltarea Societății Civile

owned enterprises when: a private owner wants to retire, a large company wants to sell or close part of its operation, employees want to take over an existing business or service.

- Housing co-operatives - up to £150,000 from our own funds and with Ecology Building Society and Triodos Bank to provide much larger loans - a unique financial package to help housing co-operatives buy property, for affordable, tenant-controlled homes.
- Renewable energy co-operatives, community businesses and social enterprises involved in renewable energy - community-owned wind farms, hydro units, solar farms, anaerobic digesters etc; Co-operative enterprises that manufacture, supply or install equipment; Co-operative consultancies that provide specialist advice to communities.
- Community owned shops, pubs & facilities
- Expanding enterprises - Co-operatives, community businesses and social enterprises that are planning to expand: moving premises, buying new equipment, working capital and other investments that will help you grow sustainably.
- Community share issues - dedicated fund set up specifically to support communities wanting to raise investment by a community share issue – for all kinds of community-owned ventures including renewable energy projects, community pubs and shops and supporter-owned sports clubs.
- Other enterprises - co-operatives, community businesses and social enterprises working in almost any industry sector.

Investments in CCF funds – and in the businesses to which it lends represents a positive ethical investment. CCF not only avoids certain forms of business but actively support those which benefit their employees, communities and the environment.

Community Capital lends to co-operatives, community businesses and social enterprises throughout mainland UK receives investment at any time. Within Community Capital there are two ring-fenced funds designed specifically to enable the regions of East of England and East Midlands to invest in themselves and support social enterprises.

ICO Fund plc lends to worker co-operatives and employee owned businesses.

Community Shares ICOF is used to underwrite share issues aiming to raise finance for a community-owned enterprise or facility.

Investors receive newsletters, annual audited report and accounts, an invitation to the AGM, dividends where possible.

Management of a loan fund on clients behalf - CCF manages loan funds on behalf of investors benefitting



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Dezvoltare în Sfera Societății Civile

them and the enterprises CCF supports. Because of its expertise and experience in specialist lending, CCF can minimise losses and maximise returns (both social and financial) on funds managed. In some cases a loan from a fund managed can be matched with another loan directly from CCF funds. This doubles the support to the borrower, halves the risk to the lenders and reduces the cost to the fund.

CCF has sometimes accepted **large donations to be used exclusively for lending for a specific purpose**, for example to support social enterprise in a particular locality or region. This has sometimes happened as a result of changes in regional or local enterprise support strategies. We currently have ring-fenced funds for lending in the following areas: Avon & Bristol, East of England, East Midlands, Wakefield, and West Glamorgan.

Back office services

- Holding monies and provision of treasury services
- Setting up loan accounts, calculation of interest
- Re-calculating loans
- Provision of quarterly statements and tax computations
- Providing for early repayment
- Collection of repayments by monthly direct debit
- Loan fund management

2. Describe the conditions that a member has to meet to be eligible for of each of the services offered by the organisation (e.g. minimum saving balance, time in the organisation). Please refer to all the main services.

Co-operative & Community Finance lends to employee or community owned social enterprises, including co-operatives, community businesses, development trusts and businesses developed from the charitable and voluntary sector. All will have an appropriate form of employee or community ownership and must be democratically controlled by their members.

They have to be incorporated bodies such as registered companies and industrial & provident societies. Each enterprise must be able to demonstrate the ability to pay interest and repay the capital on any agreed loan finance and must send a detailed business plan with their loan application.

Ethical policy

Co-operative & Community Finance has an ethical policy. Co-operative & Community Finance encourages local economic regeneration by enabling people to create, own and democratically control the businesses in which they work, or which operate in their local community. Co-operative & Community Finance funds are available to enterprises which practise or support principles of co-operation, common ownership, employee, community or social ownership, equal opportunity and workplace democracy, and sustainable development. The Ethical Policy sets out the positive and negative criteria which guide the way in which Co-



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operative & Community Finance carries out its business activities.

Positive criteria

As well as avoiding certain forms of business, we actively support businesses which benefit their employees, communities and environment. In particular, we will actively support the following:

- Co-operatives and community-owned enterprises: Development and promotion co-operatives, community-owned enterprises, credit unions and charities with trading subsidiaries.
- Promotion of co-operative values and principles: Co-operative & Community Finance endorses and abides by the internationally recognised co-operative values and principles and expects that borrowers adhere to them as appropriate.
- Social responsibility: Fair trade organisations and products.
- Companies promoting sound employment practices.
- Companies with policies and procedures that encourage good principles of business behaviour and ethics.
- Environment: Companies which provide solutions to climate change through the development, promotion and/or use of renewable energy and energy efficiency.
- Companies which promote recycling and sustainable waste management.
- Companies which operate good environmental practice.

Negative criteria

The ethical policy seeks to ensure that Co-operative and Community Finance avoids practice which it considers unethical. In particular we will not lend to, and will avoid general business dealings with, any organisations:

- Involved with the production or sale of weapons.
- Which fail to uphold basic human rights within their sphere of influence.
- With connections with oppressive regimes.
- Involved in the production of tobacco and tobacco products.
- Which have been convicted of serious environmental pollution.
- Which produce or distribute pornographic material.
- Which use timber from unsustainable sources.
- Which manufacture and/or distribute pesticide products which are harmful to the environment.

3. For loans (pers. or for business) how is the rate of interest established? Please describe by type.

The rate of interest is set with reference to the BoE base rate with a collar depending on risk.



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deosebite de Încălzire și Recreare

4. For saving accounts, does your organisation give a dividend or does it pay interest? Please describe also how it is established. What was the level in 2014?	Not the case.
5. Describe the procedures used in case of loan delinquency or default by a member.	ICOF has a very low default rate, less than 3%. ICOF works with borrowers to improve the business and can often assist by providing capital free holidays or rescheduling of the loan.
6. Does the organisation have any procedures/practices to avoid of the over-indebtedness of clients who apply for loans?	A full due diligence is undertaken with applicants consisting of a desktop appraisal, a visit to the enterprise to meet the members and discuss the business plan, a report is then submitted to the credit committee for approval. Monitoring of all borrowers is carried out twice a year so that problems can be identified at an early stage.
7. Describe the programs and/or services for underserved / unserved clients/clients.	No personal guarantees are required.
8. Does the organisation have specific activities to support the financial education of clients? If yes, please describe these activities.	No.
G. Membership/customer relation	
1. Please describe briefly the methods and practices of communication/relationship with clients.	Every member receives our annual review, newsletters and email updates as well as notice of our AGM and other general meetings. Members may also nominate directors and take part in elections.
2. Does the organisation operate dedicated software for information management? Please describe its main features.	A loan software package is used to administer loans. Loans are set up on the system, repayments are calculated, direct debits are set up and reports concerning each fund produced.
3. Describe briefly the distribution of profits / benefits / surplus policies and procedures.	Profits are reinvested back into the business.
4. Describe the operation of the Financial Services Compensation Scheme and how this assists the development of your organisation.	As an FCA authorised body, clients are covered by the FSCS. The FSCS is the UK's statutory fund of last resort for customers of financial services firms. This means that FSCS can pay compensation to consumers if a financial services firm is unable, or likely to be unable, to pay claims against it.



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pentru persoanele cu dizabilități din România

5. How does the organisation inform the clients about the situation of their loan balances e.g. amount left to reimburse, rate of interest paid etc.?	Loan statements are sent to clients quarterly.
6. Describe the strategy used for recruiting new clients.	Advertising throughout co-operative and social enterprise networks and national advertising via the Guardian.
7. Does the organisation have any programmes and/or procedures for member retention and/or loyalty programmes? Please describe briefly. What are the main reasons for which clients decide to leave the organisation? Are these taken into account in developing the strategy?	Members are kept informed by a regular newsletter and clients rarely leave the organisation.
8. Does the organisation have any tools for measuring clients' satisfaction? If yes, please describe briefly.	Surveys are undertaken annually amongst existing and past borrowers.
9. Does the organisation have any procedures for taking of clients complaints? Please describe them.	Complaints which can not be settled are investigated by the Management Committee.
H. Strategy	
1. Describe briefly the business strategy looking at aspects such as: main products/services, market niche, market share, quality and pricing/costs and <u>main changes</u> occurred in time.	<ul style="list-style-type: none"> - Business loans with terms up to 10 years and beyond - Lending without personal guarantees required - Loans for employee buyouts or company successions - Loans for property or business purchase - Loans for capital equipment and working capital - Loans to replace inappropriate existing finance - To broker deals on larger financial packages <p>Term - There is no set lending term, as far as is possible loans will be tailored to the needs of the business and the capacity to make repayments.</p> <p>Loan size - Loans from £10,000 to £75,000 are normally available and by using other funds that we manage</p>



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we may be able to lend up to £150,000. Loans to new businesses are usually part of a larger financial package and not normally more than 50 percent of that package. However, we have been lending to co-operatives and social enterprises for almost 40 years and during this time have established a number of partnerships with other lenders. If your financial needs exceed what we ourselves can offer, we are in a position to introduce you to other funds.

Interest - Our interest rates are competitive and currently range from 6% to 10% based upon the individual circumstances of the application. Unlike some lenders, we charge interest on the reducing balance over time, not as a flat rate on the amount drawn down. If you are fortunate enough to have a choice of lender, then it is advisable to compare schedules of repayments and total interest to be paid, rather than just relying on quoted interest rates.

Fees - We make only one charge to borrowers other than that of interest. This is a charge for the loan appraisal and arrangement, which also contributes to the cost of support that we normally provide throughout the term of the loan. This fee normally varies between 1% and 2% of the sum advanced, depending on the work involved. The minimum fee is £350. The fee is only paid by successful applicants. There are no annual facility or review fees, no charges for monitoring visits, letters or phone calls.

Security - We do not take personal guarantees on loans but will seek to secure our lending against the assets of the borrowing organisation where possible. However, your ability to provide security cover is not the main criteria upon which the lending decision is made.

Ongoing support - We offer ongoing support to our borrowers throughout the term of the loan as part of the funding package – there is no additional charge for this service. We also facilitate networking with other similar businesses throughout the UK.

Membership - Co-operative & Community Finance and all the funds we manage support the principles of mutuality. Borrowers from our own funds are required to become members.

- | | |
|--|---|
| 2. Describe briefly the relation between the business strategy and the social mission of the organisation. | The whole business strategy is based on the mission, Directors regularly review the strategy to ensure that it meets the social mission. |
| 3. How are clients involved in defining the organisation's strategy and activity? Please describe briefly. | All members are eligible to stand and vote for directors. |
| 4. Which are the other stakeholders that you work with? Please describe briefly the | Regularly meet with and attend conferences with other lending organisations, co-operative and employee ownership advisors and co-operative and employee owned membership organisations to explain our |



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Activității de Voluntariat în România

methods and practices of communication/relationships with them.	products and promote ourselves.
5. Please describe briefly the strategic partners or alliances that the organisation has.	The strategic partners of Co-operative & Community Finance are: <ul style="list-style-type: none"> - Co-ops Uk - Plunkett Foundation - Employee Ownersip Association - Esmee Fairbairn
I. Human resources	
1. Human resources - personnel <ul style="list-style-type: none"> - No. of employees (by gender, ethnic background, vulnerable employees) - No. of volunteers (by type, if the case) 	There are currently 4 employees, recruiting for a fifth: <ul style="list-style-type: none"> - 1 female, 3 male - 1 Black African, 3 White British Directors are all volunteers – a mix of all backgrounds.
2. Please describe the employment policies that organisation has. Does the organisation have any special benefits for employees only?	<ul style="list-style-type: none"> - Contract of employment with grievance procedure, sick pay, holiday entitlement etc. - Access to low interest loans for work related items
3. Please describe equal opportunities policies and practices, if any and work integration plan/programme for vulnerable employees, if any.	Equal opportunity is at the core of the business and regulr monitoring of equal opps is undertaken by the directors.
4. Please describe volunteer recruitment policies and volunteer roles.	Volunteer directors are elected at the AGM. The opportunity to stand is promoted regularly throughout the membership.
J. Performance measurement:	
1. What indicators and procedures does the organisation use to measure its business and social performance?	<ol style="list-style-type: none"> 1. Operate Profitably: <ul style="list-style-type: none"> • Sustainability index • Maintain reserves policy • Management accounts and budgeting done in a timely manner • Dividend / interest paid to share holders 2. Raise finance: <ul style="list-style-type: none"> • Total funds to lend (including ICO Fund PLC and ICC Limited)



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GUVERNUL ROMÂNIEI



Fondul Social European
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Instrumente Structurale
2007-2013



GUVERNUL ROMÂNIEI,
MINISTERUL MUNCII, FAMILIEI,
PROTECȚIEI SOCIALE ȘI
PERSOANELOR VÂRSTNICE
Organismul Intermediar Regional
POSDRU Regiunea Centru



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pentru Dezvoltarea Societății Civile

- Cash balance as a percentage of total funds to lend
- 3. Loan finance:
 - Money out on loan.
 - % of funds out on loan.
 - Average size of loan in year and range
 - Average interest rate on loan book in year
 - Number of loans made in year
 - Cost of loan write-offs in year.
 - Number of workers (of borrowers) supported
 - Number of members (of borrowers) supported (including worker members)
 - Value of other funds levered in deals (e.g. lenders such as Triodos, community investors or grants secured)... this demonstrates ICOF's catalyst dynamic
- 4. Fund Management:
 - Total funds under management (excluding ICO Fund PLC and ICC Limited)
 - Number of funds
 - Income to CCF in year
 - Net income from Back office
- 5. Investments:
 - Where and how much money is invested
 - Total return generated in year
 - Average percentage return generated in year.
- 6. Consultancy and Funded-projects:
 - Total net revenue generated in a year.
 - Net revenue retained
 - New net revenue.
- 7. Well run and governed:
 - The following are referred to MC for refinement:
 - Legal compliance
 - Number of trustee/mc meetings
 - Average attendance

ACTION MC



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Asociațiilor de Dezvoltare Civică Române

- Number of candidates for elections
- Number of members at members meetings
- Member communications
- Staff satisfaction
- Timely review of aims and objectives.

2. Yearly financial results – in the last 3 years, using your organisations' financial performance indicators
Provided for ICOF Goup (Ltd, PLC and ICOF Community Capital)

3. Indicators	2012	2013	2014
a. Assets (raw numbers)	£4.074m	£3.7m	£3.4m
b. Capital / Asset ratio	32	33	33
c. Turnover	£273,000	£261,000	262,000
d. Profit/loss	£31,800	(12,900)	(2,200)
e. Total amount of loans offered (by type of loan)	23	24	27
f. Maximum and minimum value of a loan	£150,000 and £10,000	£150,000 and £15,000	£180,000 and £15,000
g. Medium loan	£32,000	£38,000	£43,000
h. Number of borrowers	71	72	77
i. Income from interest rates on loans	£116,000	£107,000	£123,800
j. Deposits/ savings of clients	-	-	-
k. Expense/asset ratio (%)	6.1%	7.6%	7.6%
l. Bad debt write off (% of loans outstanding)	2.08%	3.3%	0%
m. Number of loans outstanding	71	73	78
n. Average loan for a business purpose value	£32,000	£38,000	£43,000
o. Number of borrowers that took loans for a business purpose	70	71	75

Contact info

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