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Innovation, Technology
and Enterprise

University-community engagement at Salford University: from social innovation to new social institutions ?

**Working Paper 5 “University learning with
excluded communities” project**

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1 INTRODUCTION

There is an increasing recognition of the importance of societal contributions made by the higher education sector. In the transition towards a knowledge-based economy and a learning society, universities are key learning and knowledge institutions. Universities perform a range of different roles with respect to knowledge, being involved in its creation, editing, circulation, storage, replacement and challenging. The fact that knowledge-creation and innovation are increasingly interactive processes has brought universities into contact with an increasing number of partner organisations, and the increasing salience and value of university knowledges means that there are an increasing number of stakeholders actively demanding a say in what universities should be doing.

At the same time, one of the key challenges for the knowledge economy is social exclusion (Byrne, 1999; Academy of Engineering, 2007), which is to say the growth of an increasing segment of the population who are disconnected from the interactions, relationships and networks which characterise knowledge-based societies. These communities exist at the margins of society, either actively discriminated against or suffering from the disappearance of their traditional rationales with nothing to replace old industries and patterns of social organisation. Exclusion brings with it a raft of social, economic and political problems, from increasing welfare bills to social tensions and even the possibility to create a sense of political crisis.

Moulaert *et al.* (2000) characterise this social exclusion as comprising two main facets, namely external disintegration and internal fragmentation. External disintegration arises from a disinvestment in communities which have lost their place in the knowledge economy – as external places no longer seek their resources, people in such places lose their contacts with and knowledge of wider society. Internal fragmentation can be conceived of as the disintegration of the institutions associated with the industrial society, and a failure of new institutions to emerge in the absence of strong economic imperatives. These two factors can self-reinforce to give a sense of hopelessness in these places that there is little that can address these problems, and re-engage them into the mainstream networks and relationships of contemporary society.

At the confluence of these arguments is a suggestion that there might be a role for universities to actively engage with excluded communities as stakeholders to ensure that knowledge generated meets their needs. In so doing, universities improve the quality of their research by working closely with these excluded groups, and utilising their knowledges as they might when working closely to the needs of other societal stakeholders such as businesses, government or the non-profit sector. At the same time, engaging with those communities might stimulate processes of societal learning that in turn address both the problems – disintegration and fragmentation – which constrain the future prospects of such excluded communities in the contemporary world. There appears therefore to be the potential for very positive outcomes in universities engaging with excluded communities, and indeed an argument that such community engagement should become a core mission for the higher education sector.

To better understand the contribution of higher education to driving processes of social inclusion, it is therefore necessary to develop detailed understandings of how universities work with such communities, the respective benefits that such collaboration produces, the dynamics of such interactions, and to ask whether it does indeed re-engage these communities by re-engaging them externally and mobilising them internally. This working paper reports findings from a case study of a project managed out of Salford University, which has recently established a series of credit unions under the brand name of “Moneyline”, which specifically address the issue of doorstep lending. From this, the working paper seeks to understand how university-community engagement can contribute to addressing the challenge of urban exclusion, and whether the contributions made have a wider societal significance reflected in terms of university institutional missions and the expectations placed by society on the university system.

The working paper places this case study within a wider theoretical framework seeking to create a link between the development of human capital and co-learning processes between universities and excluded communities. The paper begins by setting out a theoretical framework, and explaining the background and the methodology to the case study. The paper then provides some historical background to Salford University and its approach to regional engagement. The report then turns to provide a synthetic history of the project, how it has evolved and progressed beyond the university, and how it has established itself as a social enterprise with very limited links back to its parent university. On the basis of that, the working paper concludes with a discussion of some of the issues which the case study raises for the more general understanding of university-community engagement.

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This working paper is the fifth in a series of five project working papers, which covered a theoretical review of engagement, an international review of community engagement, a survey of three UK regions, and two other case studies associated with an anonymous university as well as Liverpool Hope University. The authors would like to thank the interviewees who gave their time and permission to assist with the research, and point out the usual disclaimer that any errors or omissions remain the responsibility of the authors.

2 THEORETICAL FRAMEWORK

Fundamental to understanding university engagement with excluded communities is understanding why universities might choose to engage. A traditional conception of universities is that they deliver teaching and research as their core missions, and that they may undertake other activities for other reasons that make sense within their own particular contexts. There is uncertainty as to whether there is sufficient coherence within activities currently emerging for it to be considered as a novel mission for universities, or whether it remains a series of externalities which emerge in a more or less uncoordinated way. This chapter presents a theoretical framework in seeking to understand the significance of university-community engagement as a solution to the problems of social exclusion.

In this chapter, we explore the reality of university engagement as one of many missions for universities in an increasingly overloaded managerial environment. The key conundrum for university-community engagement is how can community engagement compete with larger, more central missions. Of course the answer to this is not straightforward, and engagement has emerged in practice in many different ways in many different situations, namely that **engagement is an emergent mission**. However, a number of common themes can be discerned, in terms of the common drivers for engagement and common barriers hindering the development of effective engagement. Reflection on the interplay between these drivers and barriers allows a better understanding of the scope and the impact of the engagement mission in the wider higher education landscape.

2.1 THE DYNAMICS OF THE NEW SOCIETAL COMPACT

It is clear that societal expectations of higher education are changing. The example of student fees illustrates this – up until the age of the truly mass higher education experience, there was a belief that the general societal benefits of higher education justified fully subsidising higher education for students. However, mass higher education has made that option prohibitively expensive, and at the same time social atomisation has made it possible to develop an argue for the individual benefits that accrue to the holders of higher education. A mix of pragmatic financial concerns (rising costs) as well as a broader social shift (atomisation) have changed the relationship between universities and society from that of a public good towards an increasingly marketised commodity.

In order to provide a background to understand the changing drivers on the societal compact, this relationship of expectations between society and higher education (*cf.* 2.2), in this section we reflect on broader issue of the societal compact. The term is used to describe an implicit bargain between society and higher education, which will be mediated through a range of institutions dependent on context, at a variety of degrees of remove. In the UK (England), the Treasury, DIUS, HEFCE, learned societies, charities (most notably Wellcome), the NHS and regional development agencies all have a stake in defining this societal relationship on the basis of their own interests, and the way their stakeholders stimulate their development.

The key issue here is that universities exist within relationships of funding and accountability that require them to respond to these stakeholders, and the changing position of these relationships results in the shifting societal compact. Understandings

of these contributions have become increasingly nuanced, moving away from a 'linear' model of knowledge transfer with universities undertaking blue-skies research, and transferring it to firms and other societal institutions which exploit that knowledge. The paradigm of knowledge transfer has evolved to that of knowledge exchange, where universities and other key partners come together with their own knowledge capacities, interests, questions and challenges, and work collectively to create new knowledge, products, processes, technologies and solutions.

Yet, at the same time, there are signs of societal dissatisfaction with the way universities contribute to their host societies. Governments have reinvented the idea of the public research laboratory into the model of the public-private research institute, co-ordinating societal efforts to exploit existing knowledges. In the UK, the Energy Technology Institute is one example of a large scale research activity seeking to provide social benefits, in which universities are taking a secondary co-ordinating role with the emphasis lying on relevance and business leadership. The long-term nature of university research and short-term pressures in the credit crunch have exacerbated this trend of emphasising the societal importance of immediately relevant findings over the longer-term development of societal knowledge bases.

Barnett (2000) refers to the expectation that universities produce societal benefits in return for their privileges and public funding as the 'societal compact'; in the 1970s, this compact was grounded in universities as independent, autonomous and slightly detached institutions contributing to a democratic society. The current expectation seems to be evolving into universities as engaged, inter-dependent, and accountable institutions contributing to a more competitive and sustainable society. Increased interest in engagement can be regarded as a reflection of this evolving societal compact, and therefore considering the dynamics of this engagement provides a practical lens through which to consider the changing institution of university in the context of the new knowledge economy.

A final point worth reiterating at this stage is that this is strongly rooted in a network model of governance where inter-dependent organisations hold one another to account. In that sense, the societal compact is rooted in a notion of **inter-institutional network accountability** rather than a **direct democratic societal accountability** or the previously dominant model of **producer-led peer accountability**. The consequence of this is that whilst universities are accountable to a group of external stakeholders, those stakeholders are not individuals within society, but rather institutions who make claims upon universities on the basis that they represent or articulate a societal interest.

2.2 THE PROBLEMATIC OF SOCIAL EXCLUSION IN THE KNOWLEDGE ECONOMY

2.2.1 Social exclusion and exclusionary practices

The phenomenon of social exclusion is not a novel one: it is a widespread phenomenon of cultural anthropology that particular groups in a society face systematic discrimination which undermines their life chances whilst making that exclusion seem natural or even justified. At its broadest definition, social exclusion can be regarded as a systematic disadvantaging within social resource allocation mechanisms in ways which become self-reinforcing and self-justifying without necessarily having a more coherent underpinning rationale. Social exclusion can be

regarded as a process of restriction, limiting access to markets such as labour and housing, to collective social welfare provision, or to education, to groups based on a collective rather than individual considerations.

In some cases, exclusion can stimulate positive responses and mobilisations from within those communities which create new, alternative institutions which substitute for those exclusionary activities. One of the most dramatic examples can be seen in the case of the Netherlands, where between 1890 and 1930, various 'pillars' were deliberately constructed. These pillars representing different social groups – protestant, catholic, socialist and liberal – encompassing schools, unions, political parties, broadcasters and social clubs to ensure that no one faced social exclusion at a time of dramatic social change. However, the more prosaic reality is that such situations are exceptional and that much exclusion can be self-reinforcing and lead to a process of societal segmentation where particular groups are held at the margins of society.

A good example of this can be seen in places where there are strongly exclusionary housing markets, which can see the weakest members of societies pushed to the fringes of the housing ladders (Stoeger, 2009). This can restrict their access to housing to expensive, short term and vulnerable rental contracts in locations not of their choosing. This in turn can prevent them funding good, stable employment, and with high rents and proportionally high travel costs can prevent them accumulating capital to secure a better housing market position. Frequently enforced moves of house further undermine their social and family connections which could otherwise provide access to informal welfare services. This example shows how housing market exclusion can in turn drive other kinds of exclusion and create a self-reinforcing process of lock-in, with communities unable to challenge their social marginalisation.

However, the emergence of the knowledge economy has given the issue of social exclusion a degree of added salience, because of the increasing importance of knowledge to the production process. At an individual level, this can mean that exclusion from adequate education (through being restricted to access to low-aspiration or vocational schools) can create a lifelong hindrance in terms of accessing suitable employment opportunities. For communities, particularly those dependent on traditional livelihoods, this can mean that their residents find themselves subjected to a spectrum of exclusionary market and social welfare practices as their rationale for existence disappears and at the same time this creates the impression that there is some kind of justification for those exclusionary practices.

Both Byrne (1999) and Moulaert (2000) talk of places of social exclusion which have emerged as a consequence of the radical economic upheavals of the last thirty years, as the certainties of the Fordist age have given way to the post-Fordist, post-industrial age. It is worth unpacking the idea of the 'global age' to highlight a number of challenges which have come together to destabilise a range of communities which had previously been well established and intensify exclusionary pressures. The first is globalisation and increasingly intense inter-place competition, which in particular adds to pressures of labour market insecurity for all but those with in-demand knowledge-intensive skills, Reich's 'symbolic analysts'. Secondly is the shift from government in territorially-bounded hierarchies to governance in looser stakeholder-networks, which can drive political exclusion for those individuals who do not aggressively mobilise to uphold their own interests in decision-making networks. Thirdly has been the erosion of the welfare state and the rise of workfarism providing

access to social services through markets, which raises the risk of exclusion from collective consumption for whilst additionally entrenching labour market segmentation.

The stability of the Fordist settlement created a mass workforce guaranteed social inclusion and access to welfare services, whilst the flexibility of post-Fordism has created a huge increase in vulnerability and ultimately to social exclusion. At the same time, a shift in the macro-policy perspective from demand-side to supply-side management has created a situation where the returns for public investment in these places are so low that they can hardly be justified, with the result that public investment has a regressive effect, creating ever sharper boundaries between successful world-city regions and a fragmented archipelago of excluded communities. A lack of inflow of investment and resources can cut these places off from the wider economy, further locking them into this pattern of underinvestment and underperformance, and further restricting their citizens' access to critical societal resource allocating institutions.

Table 1 Processes of social exclusion

Allocation mechanism	Exclusionary process
Labour market	Short-term, flexible, vulnerable contracts with limited benefits and opportunities to save. Workfare contracts enforcing long hours in return for welfare payment, no capital formation
Housing market	Restriction to remote, undesirable parts of city with limited service provision, poor accessibility, hidden costs of transport, caring responsibilities. High rents for poor quality housing limiting saving and housing market progression; 'red lining', negative equity.
Education provision	Discriminatory access requirements based on existing pupils or residence base – inner city schools. Limited progression and participation through education system, access only to part-time, low-cost higher ed.
Access to transport	Transport network goes through, not into, area, bringing all costs and no benefits. Poor public transport raises commuting times and reduces opportunities to networks with people in other suburbs.
Health services	Restriction/ rationing of service provision even where theoretical entitlement exists. Shift from public health to emergency health measures, limited preventative/ elective activities
Kinship ties	Fragmentation of coherent family units across urban area reducing opportunities for interaction and informal provision Emphasis on household survival strategies reduces opportunities for capital formation and pooling at family level.

Governance networks	Political representatives excluded from decision-making venues because no interest in constituency. Community voice excluded from governance networks because seen as being pathological or unreasonable.
State violence monopoly	Retreat of police from problem areas, increased costs and pressures of criminality Territorial profiling and emphasis on enforcement rather than welfare functions of law services.
Production networks	Failure to benefit from employment created through local investments in infrastructure and inward investment Limited workforce progression from informal-local sector to formal-external sector.
Private services	Low levels of services for high costs through <i>de facto</i> monopoly situations (e.g. water provision) Reliance on informal services
Financial services	Failure to benefit from cost reductions for secure payments –(e.g. direct debit discounts); time and monetary costs of up-front payments. Reliance on doorstep lending and exclusion from formal credit markets, reducing opportunities for capital formation.

2.2.2 Social exclusion as a territorial process: socially excluded communities

The impacts on the community can be quite devastating because of the human consequences of this exclusion. In the first instance, those with the wherewithal to leave do so, and so there is a kind of centrifuging effect, distilling the excluded and further exacerbating their problems, by further reducing their access to socialised resources and undermining social capital. The second issue is that the lack of connection of these places leaves them unable to assert their right as communities to particular socialised assets, and public investments can be slow coming in turning around the private disinvestment. Thirdly, compounding the two previous issues, is that these communities become regarded as problems requiring external solutions rather than communities with their own assets and strengths – as well as problems – who can become partners in governance structures developing new solutions to these problems.

This can lead to very different types of communities experiencing similar types of social exclusion under these modern conditions. As well as particular groups which may face systemic discrimination, such as ethnic minorities, elder communities or young people, there are also more territorial groupings which emerge as places of exclusion. Particular places within cities have functioned as spaces of exclusion, sometimes reflecting ethnicity-based exclusionary practices ('ghettos') or more functional divisions (inner city areas). Moulaert highlights that there are particular kinds of places outside of cities whose rationale for existence has disappeared whilst leaving the residents without ready access to urban-based services necessary for modern economic success, including the UK's former seaside resorts, fishing villages, rural and peri-urban mining and steel production villages, and old industrial towns.

Even for those within cities, who should be able at least to readily access social welfare services and urban assets, the global economy has produced new kinds of exclusionary processes and practices. In particular, the rise of the public-private partnership as new form of governance mechanism is particularly potent in excluding the voices of local residents from consultation mechanisms. Cameron & Coaffee frame this in terms of a sense of revanchism within urban regeneration projects, reclaiming derelict places from the 'socially excluded' for the 'gentle citizenry'. This further adds to the problems of these communities by imposing new forms of exclusion on them, reducing their stability and preventing them from forming social, housing and other forms of capital.

Critiques of gentrification that fail to address the needs of those residents are long-standing and it is only the form of these governance arrangements – public private coalitions which exclude residents – which are in a sense novel. The issue with gentrification is that it is a spatial fix for the problems which arise in particular places without addressing the underlying processes of exclusion which give rise to these communities. This makes these problems intractable and difficult to address, and in recent years there have been manifestations of dissatisfaction with deep-seated urban exclusion in a series of riots in developed economies, from the North West of England in 2001, Paris (2007) and the Netherlands (2008). Riots represent a profound problem of legitimacy for governments and can help to place the exclusionary barriers which these places face back onto the political agenda.

Ensuring continued political legitimacy for governments will be a serious challenge in the coming century as there are a series of major challenges which will have to be addressed which will require substantive collective action to address and solve, including demographic ageing, climate change, resource scarcity and water access. Solving these problems will raise substantial challenges of equity and fairness within national borders and may lead to a questioning of the legitimacy of national governments. Urban inclusion is a similar challenge, because there is the risk that problems of urban exclusion might further fragment political cohesion at a time of mobilisation around developing large scale solutions to these grand challenges of the 21st century. Therefore there is a pressing need to develop real solutions to these problems which address both the exclusionary processes and the physical manifestations of exclusion to ensure continued social cohesion.

2.3 THE DOUBLE BIND OF SOCIAL EXCLUSION: REENGAGING COMMUNITIES WITH THE KNOWLEDGE ECONOMY

This raises the question of how to address the challenge of social exclusion by addressing the exclusionary processes which cut off these communities from the societal mainstream. Understanding exclusion is difficult because of the inherent equity problems within exclusionary practices, which justify manifestly unfair behaviour in terms of an abstract rationale, such as the efficiency of markets or the pathology of excluded communities. This raises the question of why excluded communities do not mobilise themselves to politically contest the processes of exclusion, improve their own situations and reintegrate themselves into the societal mainstream. Moulaert (2000) notes that part of the phenomenon of social exclusion is that being externally excluded undermines the necessary internal cohesion to mobilise and challenge their political-economic placing through exclusionary processes.

Moulaert makes a conceptual distinction between two distinct elements of the experience of social exclusion. Firstly, they are disconnected by exclusionary practices and processes from wider economic, political and social structures which severely limit community opportunities. In competitions for scarce public investment, these communities may be directly excluded from investments, or investments may be configured to ensure that they are excluded from the private benefits of infrastructure investment development (e.g. through employment on building projects, from ownership of the assets (e.g. houses) built, from benefiting from improved accessibility (lack of motorway junctions or high-speed train stations). Challenging these exclusionary practices is difficult because of the pre-existence of governance coalitions ready to justify their practices as well as the time limited opportunities for contesting exclusion from investments.

The point is that what creates the preconditions for these communities external exclusion is that they fail to mobilise and successfully contest the decisions, networks and norms which frame their exclusion as acceptable and even necessary. Byrne (1999) notes that a key characteristic of such communities are that they are also internally fragmented, and have little capacity to challenge these external structural weaknesses to improve their own situations. This means that there is not the socio-cultural base on which to develop an 'urban social movement' with the capacity to challenge the decisions taken by outsiders and ensure that the community does have equitable access to social market services and is seen as a suitable space for outside investment that contributes to local growth as well as producing local exploitation.

The issue hinted at by both Moulaert and Byrne is that these two pressures are mutually reinforcing, and are two symptoms of some underlying problems. One way to conceptualise this problem would be of an absence of effective social capital. The idea of social capital was raised by Putnam to understand the self-organising capacities of groups to achieve both internal goals, but also to engage with external agents and their agendas to achieve collective goals. Bordieu has also noted that one of the key features of social capital is that – in common with other forms of capital – it provides the owners of that capital with the power over other types of capital. Therefore, the possession of social capital conveys a particular kind of power, which in the context of social exclusion, allows a contestation of exclusionary processes.

Putnam makes a distinction between internal (bonding) social capital and external (bridging) social capital. Internal social capital is the capacity for a group of individuals to work together effectively and to generate responses to particular situations, effectively a kind of self-governing capacity. External social capital is the ability to work within networks to identify the needs, vulnerabilities and resources of other actors and engage with them within these networks to achieve shared goals, or better put, to maximise ones own goal achievement whilst making sufficient concessions to others to allow them to achieve their goals.

A critical point here made by writers on social capital is that it is both transitive activity, that is to say that it exist in relations to others, and performative, in that those relationships continually have to be renewed in order to carry their value (Burt, 2000). The issue therefore in terms of social inclusion can be that these communities have lost their linkages both internally and externally, reducing the ability of individual community members (nodes in these social capital networks) to access the capital of others. This is depicted in figure 1, which indicates both of these impacts.

Figure 1 The dual fragmentation of excluded communities in the knowledge economy

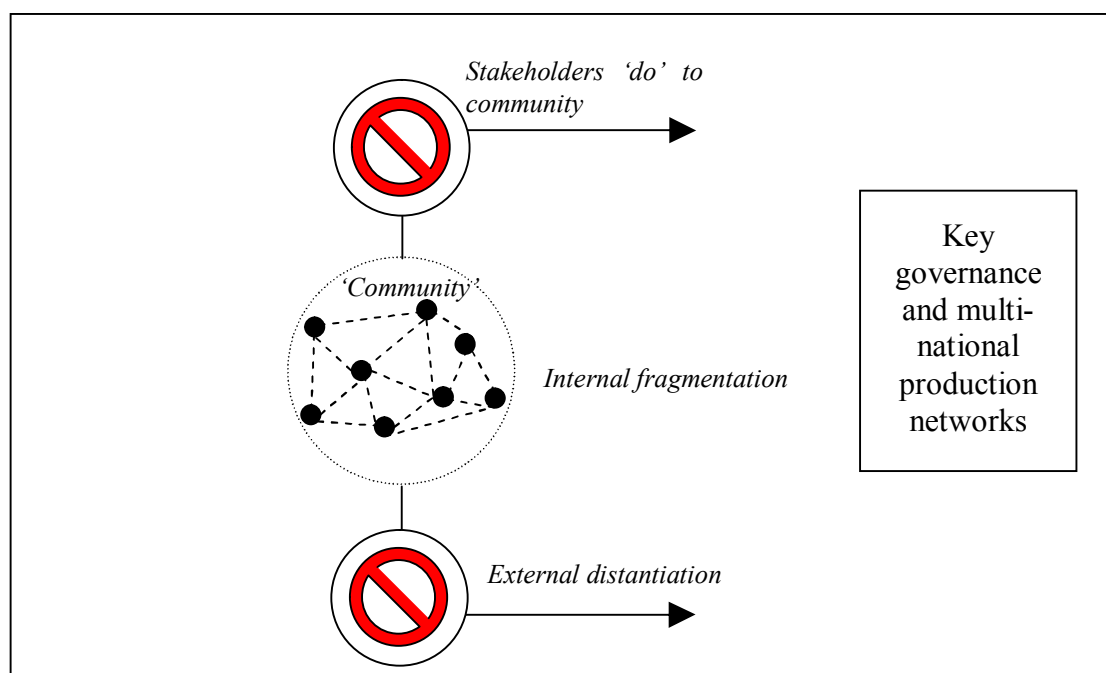


Figure 3 above attempts to make this distinction clearer through a graphic representation, which highlights three problems. Firstly, these communities are cut off from multi-national production and investment markets – they suffer from market exclusion which forces them to the fringes of labour markets. Secondly, these communities are cut off from governance networks which allocate public resources which provide places with the capacity to alter their own situation. Thirdly, these places are internally fragmented which prevents them from asserting themselves within either production or governance networks, and hence reinforces their relatively weak, excluded positions. This raises the question of what can begin a process of positive change to address this situation, given a lack of agency internally and a lack of interest externally.

2.4 UNIVERSITIES AND COMMUNITY ENGAGEMENT: SHARED LEARNING FOR RE-ENGAGEMENT

The starting point for this project is to ask whether universities can play such a role, and in particular by engaging with excluded communities, universities can help a process of social capital accumulation in those places which addresses those problems. It is important not to underestimate the scope of the change involved in addressing the trajectories and positioning of these excluded places within wider political economies. However, it is fair to ask the question of whether working with universities can help (people in) these places to address particular exclusionary practices which reduce their opportunities for self-mobilisation and political activism.

There is a clear heuristic, building on the idea that universities working with those communities offers a ‘global pipeline’ which (in the language of Bathelt *et al.*, 2004) restores a sense of local ‘buzz’ and economic vibrancy to these places, developing social capital to reconnect these communities to their wider societal milieu. There are clearly situations in theory and practice where universities could help communities build both bonding and bridging social capital. This might be an ongoing process,

where a university engages to improve the access of a particular to internet access (both around infrastructure and training). Alternatively, it might be related to a particular local environmental issue threatening a community where a mix of advocacy and consultancy see the communities' interests better articulated and represented in external policy-networks (Cox, 2000).

A graphical representation of a heuristic for this process is provided in Figure 2 below, which highlights two situations. The first is one in which a community is excluded both in terms of being cut-off and disintegrated, and has no capacity to work with the university. The second is an 'ideal type' situation, where through working with the university, the excluded communities has addressed the problems identified above, in terms of internal cohesion, attracting external investments, and being taken more seriously by external political actors within governance networks. However, this heuristic for a change is not the same as understanding how that change can come about, nor in terms of building an understanding of the necessary changes to alter the situation.

Drawing on social network theory (e.g. Dassen, 2010), it is possible to identify a number of configurations which universities might play in improving the position of these excluded communities. In social network terms, such communities are surrounded by 'structural holes' and indeed face 'structural holes' within their community networks. There are a number of processes which universities might contribute to in improving the connectivity of these excluded communities:-

Bridging: the university connects members of the excluded community through the university networks to external actors, and via the university, the excluded community can access novel resources, and better represent its position within governance networks.

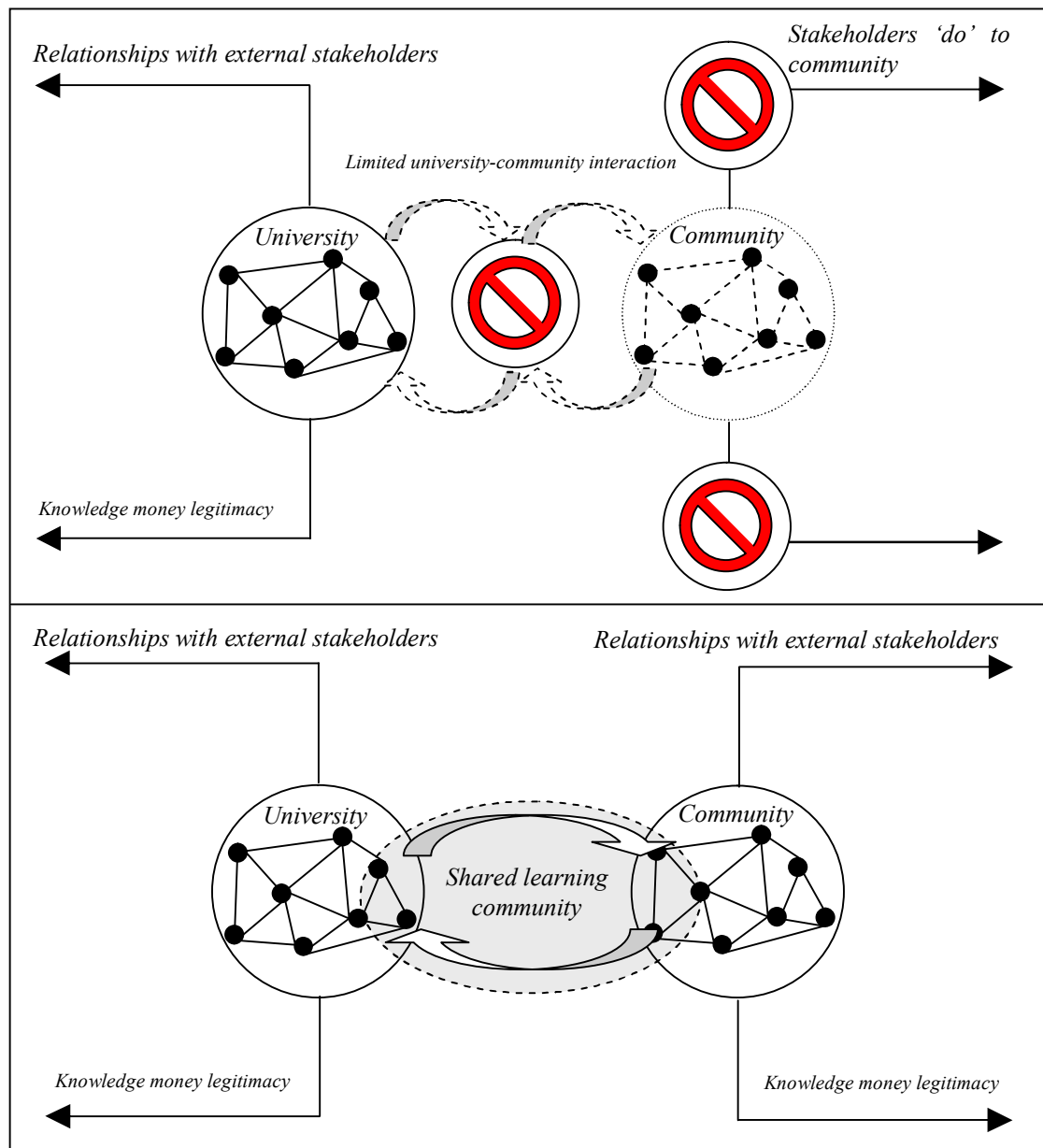
Building: the university connects members of the excluded community through the university networks to external actors, and over time, the community develop direct links to those external actors to better represent their positions and interests within governance networks.

Bonding: by two community members working with the university, they come to know one another, and therefore have better mutual links, creating links **within** the excluded community.

Strengthening weak ties: the university develops a link to partners of community members, and in doing that, ties the community members more closely to their external partners, and increase the power of the community partner over the external actor.

2nd Order Building: the university develops links to third party actors which are then brought into the extended network of the community, and to which the community then has the opportunity to develop direct relationships.

Figure 2 A heuristic for university-community interaction improving community situation within its local political economy



The critical issue here is how that collaborative working addresses the problems of social exclusion affecting the community. Gunasekara (2006) made a distinction between university's generative and developmental regional contributions. Generative contributions were the provision of community services which were relatively simply absorbed within the regional system, whereas developmental contributions were those which changed the nature of regional innovation and governance systems. This suggests that the focus for the research needs to be developmental contributions from universities.

This implies that the interaction with the university had encouraged the community to work more co-operatively, developing internal social capital (bonding social capital, in the language of Putnam). This bonding capital gave the community a coherence which in turn made it more demanding of other political institutions, and improved its local position. We can identify from social network literatures that there are a number

of processes by which universities and excluded communities working together can create linkages that improve the connectivity of the excluded communities, which can be taken as a proxy for improving their inclusion (*cf.* Dassen, 2010). These are shown in figure 3 below¹.

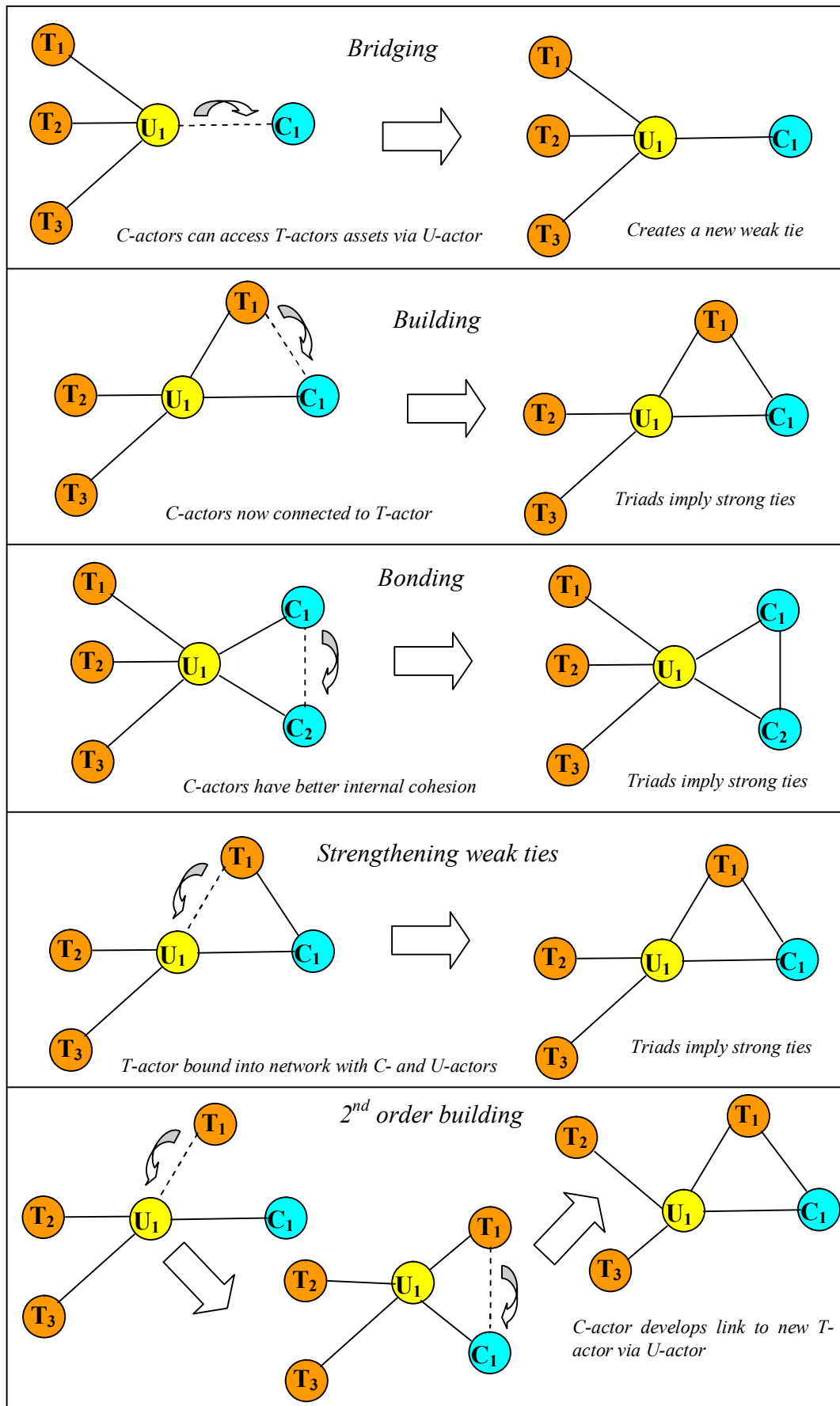
- **Bridging:** the university connects members of the excluded community through the university networks to external actors, and via the university, the excluded community can access novel resources, and better represent its position within governance networks.
- **Building:** the university connects members of the excluded community through the university networks to external actors, and over time, the community develop direct links to those external actors to better represent their positions and interests within governance networks.
- **Bonding:** by two community members working with the university, they come to know one another, and therefore have better mutual links, creating links **within** the excluded community.
- **Strengthening weak ties:** the university develops a link to partners of community members, and in doing that, ties the community members more closely to their external partners, and increase the power of the community partner over the external actor.
- **2nd Order Building:** the university develops links to third party actors which are then brought into the extended network of the community, and to which the community then has the opportunity to develop direct relationships.

This nevertheless offers a model – or at least a heuristic – of how universities and communities could interact to increase the social capital of excluded communities. By engaging in shared learning activities, the actors create relationships which connect excluded communities to societal actors via the university. The idea is that this interaction benefits these communities by giving them greater capacity for self-determination and autonomy. They have relationships directly with these actors, reducing their reliance on external experts for improving their fortunes.

There is of course the risk here in assuming that this relationship-building process is simplistic, and ignoring the power relationships which undoubtedly influence the network dynamics. Nevertheless, considering which types of relationships universities can assist in building can understand how universities build the micro-foundations for the reintegration of socially-excluded communities within these broader (meso-scale) local political economies. This theoretical and conceptual discussion raises the opportunity that universities could work with excluded communities to improve their structure exclusion. However, this raises the question of how that might take and the kinds of empirical testing of that possibility that could take place. This is addressed in chapter 3.

¹ The key to this diagram is that U are university actors, T are third party actors and S are actors in socially-excluded communities.

Figure 3 The network building processes reintegrating excluded communities



3 INTRODUCTION TO CASE STUDY & METHODOLOGY

The heuristic above suggests that a university and excluded community work together for some reason, and in the course of that collaborative working activity, the community develops social capital. This social capital both bring the community closer together, addressing internal fragmentation, but also makes them more demanding and sophisticated in dealing with external partners, addressing their external fragmentation. This suggests that if university/ community interaction could stimulate learning processes, which are inherently social activities, then this may augment those communities' bonding and bridging social capital. This suggests that to empirically explore whether that is indeed taking place, there is a need to establish a number of key elements in this process.

- There is collective learning between the university and the socially excluded community
- The collective learning helps build social capital within the community
- The social capital which builds up helps to address the particular problems of exclusion facing that community.

There are several steps necessary to establish that some particular university-community engagement project has made a positive contribution to addressing social exclusion, namely that collective learning has taken place, that collective learned has build bonding and bridging capital within the community, and that has increased the community's power to contest exclusionary processes. For the first step, we seek to understand the dynamics of the interaction between university and community, and the processes of social capital that this drives. For the second step, we use Bordieu's assertion to deduce that increased social capital within excluded communities will allow those communities to exert greater influence over other forms of capital, notably those from outside the community. The final step will be to identify how that influence in turn reduces the functioning of these exclusionary practises.

3.1 COLLECTIVE LEARNING

There is an increasing recognition of the social nature of 'learning', which is an increasingly important economic function because of the increasing importance of innovation and creativity to driving economic growth and rising welfare levels. Gibbons *et al.* (1994) characterised the new environment for knowledge production as 'Mode 2' in contrast to the linear knowledge creation of mode 1, in which universities undertook blue skies research, and transferred it to industries who created new products which then diffused out into markets.

Although they acknowledge that the change has been more of a shift of tendency between the two poles than a simplistic binary shift, Gibbons *et al.* were amongst the first to capture the essence of contemporary innovation as a means of bringing diverse and heterogeneous knowledges together to create solutions to problems that meet needs. They characterised innovation as a 'team game' in which various actors combined knowledges together whilst also devising meta-governance arrangements (self-organising) to establish which knowledges and which partners should be involved.

Their notion of innovation as a ‘team game’ hints at the social – and socialised – nature of knowledge production, particularly because even within a team playing towards the same ostensible goals, different players have not only different capacities, but also different motivations for playing in the game. It is under these circumstances that the issue of governance becomes important, as a means of ensuring that there is a broad constituency of support for the goals being pursued. But this social nature of knowledge production – its interactive and path-dependent nature highlighted by Kline & Rosenberg (1986) also raises an additional challenge for knowledge production, which is that knowledge is not readily transmitted and transferred between actors.

The most basic distinction was made by Nonaka & Takeuchi (1995) who distinguished between codified and tacit knowledge. Codified knowledge can readily be written down, transmitted and readily becomes ubiquitous, whilst tacit knowledge is based on relationships and understandings and requires inter-personal contact for its transmission. Gregersen and Johnson (1995) made a further distinction between know-what and know-why – factual information and deductive rules – as codified knowledge, and know-how and know-who – the knack of a skill and governance skills – as tacit knowledge. Typologies of transmission mechanisms have been developed, placing learning-by-doing and learning-by-networking as tacit transfer mechanisms alongside traditional knowledge-absorption mechanisms.

Boschma (2005) makes a useful point that what governs the capacity for transmission for types of tacit knowledge is the relative proximity between the actors. This proximity may be geographical (such as within clusters and industrial districts), but may also be organisational (within a single company), cognitive (with similar educational and professional backgrounds), social (related to similar status) and institutional (having a mandate to work closely with particular other groups). A key element of knowledge transmission is building the necessary proximity between two actors which in turn facilitates future interactions, and that is a profoundly social process based on developing common understandings and frames of reference.

Bringing these two issues together, in the perspective of Mode 2 knowledge production, interactive innovation processes require at least two kinds of learning, one set of learning related to the problem domain, and one set of learning related to the proximity of the participating actors. However, the point about socialised theories of learning is that the distinction is to some extent artificial, because the two kinds of learning operate in parallel and are mutually reinforcing: if partners can develop shared solutions, then the sense of success can reinforce collaboration, whilst if proximity cannot be built up, then there is little chance of genuinely mutual collaboration to solve problems.

In this project, we have used the theory of a community of practice as a means for understanding the dynamics of the socialised learning processes (*cf.* Wenger, 1991; 1998). He observed a number of workplace situations where teams worked together to develop shared solutions to complex problems, and he found that knowledge of shared solutions built up, but became embedded into the social life of the community. Applying an anthropological lens to the working of these communities he found that accessing the knowledge required becoming a member of the community, which in turn brought ‘initiation rites’. Members had status within the hierarchy, with new members joining in the periphery and moving to the core of the community over time as they acquired the necessary social skills and knowledge to themselves initiate other

members. These communities were privileged places both for the *acquisition* as much as the *generation* of new knowledge useful for solving the collective shared problems.

The social dimension of the community was extremely important and became partly-formalised into things like shared social routines, prestige, status, artefacts and the stories that people told about the life of the community. Yet the social life of the community extended beyond the formal demands of the problem-solving, and it acquired a degree of autonomy from the problem domain as the community developed an independent social life. The practices, routines and bonds developed to solve particular work-place problems were also the foundation for friendship relationships, and the artefacts, stories and hierarchies of the community of practice extended beyond the work sphere into the private lives of the participants.

3.2 ...ACROSS INSTITUTIONAL BOUNDARIES...

Wenger's idea of communities of practice were derived from very detailed studies of single organisations where participants were closely focused on working together to address complex working problems. With the increasing nature of inter-organisational working and the increasing prevalence of partnership models for the delivery of particular economic outputs, this raises the question of whether communities of practice could build up across institutional borders.

Benner (2003) identified that in the extremely vulnerable world of ICT work in California, a set of independent contractors developed a message board system to exchange ideas, work opportunities, identify collaborative partners, and also to bring a human dimension to their work. He coined the phrase 'network of practice' to describe the situation of a virtual community of practice going across institutional boundaries to a group of people facing similar problems and interacting and collaborating to address those problems.

There is a need for a natural caution in applying the idea of a community of practice or network of practice too readily or too liberally without demonstrating empirically that there is in practice an independent social dimension to the life of the community that transcends the immediate functional pressures. In asserting the existence of a network of practice there is a need to establish the independent social life of the community across the institutional borders. This requires asking the question of whether the grouping has a distinct community life with hierarchies, initiation rites, shared stories, progression within the community, artefacts, accepted ways of doing things, and a social life beyond the functional tasks that the community activity is woven into?

One attraction of the idea of networks of practice is the intuitive connection between socialised learning across boundaries and the development of different kinds of proximity – cognitive, organisational, social – between the participants, thereby increasing future capacity for collaboration. The question of future capacity is an integral part of the social capital that builds up in particular circumstances, and what is critically important is the extent to which that social capital genuinely allows partners to challenge and contest what larger scale structures compel them to do. In the fields of cross-border planning, Haselsberger & Benneworth (2010) have looked at the extent to which cross-border planning communities have built up and been able to challenge national epistemic communities and valuations of their respective places. They were unable to find convincing evidence that these cross-border planning communities had built up substantive capacity which could make these challenges,

reinforcing the importance of not imposing a community of practice framework on situations which do not necessarily justify it.

It is particularly important to be careful when considering the relationships between universities and excluded communities, and in particular their potential to work together as partners on joint enterprises. In the first working paper in this series, we identified that there are a range of barriers which prevent or at least hinder universities and excluded communities together. In part these arise because of the huge disconnect between the types of institution each is – universities are large, powerful and institutionalised corporate actors, whilst excluded communities typically encounter large institutions in their policing rather than through their citizenship and welfare functions.

At a more concrete level, universities and communities do not necessarily have the correct fit of skills to work together, and the university may indeed perform exclusionary practices as part of its work routine. An example is a university with a campus in an excluded community that physically separates itself from the community to protect staff, students and buildings, but which at the same time sends out an extremely discouraging message for community groups. At the same time, universities may be drawn to more formalised organisations which purport to represent the community interest in ways which are more immediately recognisable by universities. In figure 5 below, we bring together some of the barriers which can inhibit collective working between universities and communities (drawn from Working Paper 1) which indicate the natural resistance which might inhibit these actors working together effectively for collective benefit.

Figure 4 Barriers which inhibit from universities and communities from engaging with each other

University	Community
<ul style="list-style-type: none"> • Engagement not compulsory • Absence of institutional strategy • Absence of engagement manager <ul style="list-style-type: none"> • Diffusion of responsibility • Lack of dedicated funding stream <ul style="list-style-type: none"> • Incentives to lure students • Core funding ignores engagement • Other funders do not demand engagement • No career structure for engagement • Engagement seen peripheral hobby <ul style="list-style-type: none"> • Do ‘research on a community’ <ul style="list-style-type: none"> • Lack of subject knowledge • Physical distance from communities 	<ul style="list-style-type: none"> • Absence of ‘roots’ in communities • Community do not make demands <ul style="list-style-type: none"> • Community seen as a ‘problem’ • Third parties divert university activity • Other funders buy research ‘on’ communities • Global networks favoured over local links • Excluded communities avoided/ ignored • Town/ gown tensions create student enclaves <ul style="list-style-type: none"> • Enclaves ‘turn off’ non-trad local students • Difficulty of rewarding student engagement • Engagement not fit into professional curriculum <ul style="list-style-type: none"> • Professionalisation of engagement routes
	<ul style="list-style-type: none"> • Absence of leaders to sit on boards/ committees • Lack of capacity to mobilise around issues • Misunderstanding of university capacities • Invisible barriers put communities off engagement <ul style="list-style-type: none"> • Formal structures exclude communities • Engagement projects have high staff turnover • Community skills mismatch with project demands

Source: Working Paper 1

3.3 UNIVERSITIES CREATING NEW COMMUNITIES OF PRACTICE...

This refines the question originally posed to consider whether universities and excluded communities can come together to create communities of practice which in turn represent social capital for these communities, which allows those communities to appropriate the embodied labour of others and hence improves their position within a local political economy. In Phase 1 of this research project, we undertook a survey of 33 institutions in the North East and North West of England, and Scotland, to explore where they were engaging with excluded communities, and as part of that, sought to identify where there was genuinely shared learning activities taking place between universities and communities. This survey unearthed a very few examples of where this was happening at an institutional level, and even at the departmental or individual level, there were relatively few experiences of collective learning between universities and partners.

The OECD Centre for Higher Education Research and Innovation (CHERI) in 1982 produced a categorisation of the kinds of activities which universities could undertake to engage with communities (in contrast to the separate activity of business engagement). With each of the services associated with university-community engagement, it is also possible to identify where there are opportunities for collective learning between universities and the excluded communities.

Table 2 a typology of university services for (excluded) communities

Way of providing service	Mechanism for delivering service	Opportunities for collective learning
University puts facilities at community disposal	Use of equipment, premises, laboratories, laboratories Using teachers and students to make direct contribution Drawing on community in delivering occupational, vocational training (e.g. nursing, law, planning)	Community builds up links with academic staff and can offer interesting student projects and placements
Execution of orders placed by community	Offering training as occupational, continuing education or cultural University receives a payment from community for delivery of a service A near private contract between the buyer and the vendor	Learning how to use the university, get the best out of the services, conditioning the university to be a good, willing client
Analysis of needs of community	The university comes into the community as an outside expert The university provides services for the community with some reference to an 'order' by the community	Community generates a better sense of group interests, priorities, budget-setting and needs.
Analysis of problems at request of community	University engages at community request in developing solutions University has the autonomy and freedom to suggest a range of solutions away from overarching pressure.	Positive reinforcement that the community problem identification works well, good existing capacity
University delivers a solution for community	The university delivers a service for the community which is compatible with its institutional status	Harder to identify where collective learning takes place.

Source: after CERI (1982)

There are various kinds of ways that universities and communities could work together collectively and circumvent the barriers in figure 5 – universities teaching higher vocational courses may have to provide learning experience and placements helping educate professionals who will have to deal with communities with these problems in their future professional life. In order to generate a steady stream of placements and projects for students, university staff may develop stable links with excluded communities and begin processes of co-creation of knowledge; these linkages may also develop into consultancy, research, public knowledge and expertise functions, with an in-depth exchange between universities and communities.

Although these opportunities may exist, the critical issue as far as this research project is concerned is whether those learning opportunities create social capital. To establish this fact, we will consider whether the learning opportunities have produced socialised learning in the form of identifiable communities of practise. The question is whether there is a definite community has formed which has *created distinctive knowledge* which is only easily *acquired by participating in the community*. The primary focus for the empirical research is exploring the contention of whether there are indeed genuine learning communities emerging which are having a developmental effect on these excluded communities *collectively*, as opposed to the provision of particular *individual* services which may assist the recipients but which do not challenge the exclusionary practices and processes constraining those communities.

3.4 ...AND REPOSITIONING EXCLUDED COMMUNITIES IN THEIR LOCAL POLITICAL ECONOMY

The final element of the method concerns how to understand whether the engagement and co-learning processes have successfully repositioned the excluded communities within their own local political economies. In 2.2.1 we highlighted the key processes of social exclusion which come together around particular communities to exclude them from contemporary societies. We therefore choose to define a developmental contribution from the universities in terms of engagement as addressing one or more of those processes on a recurrent basis so that the outcomes are systematically less exclusionary for the communities concerned.

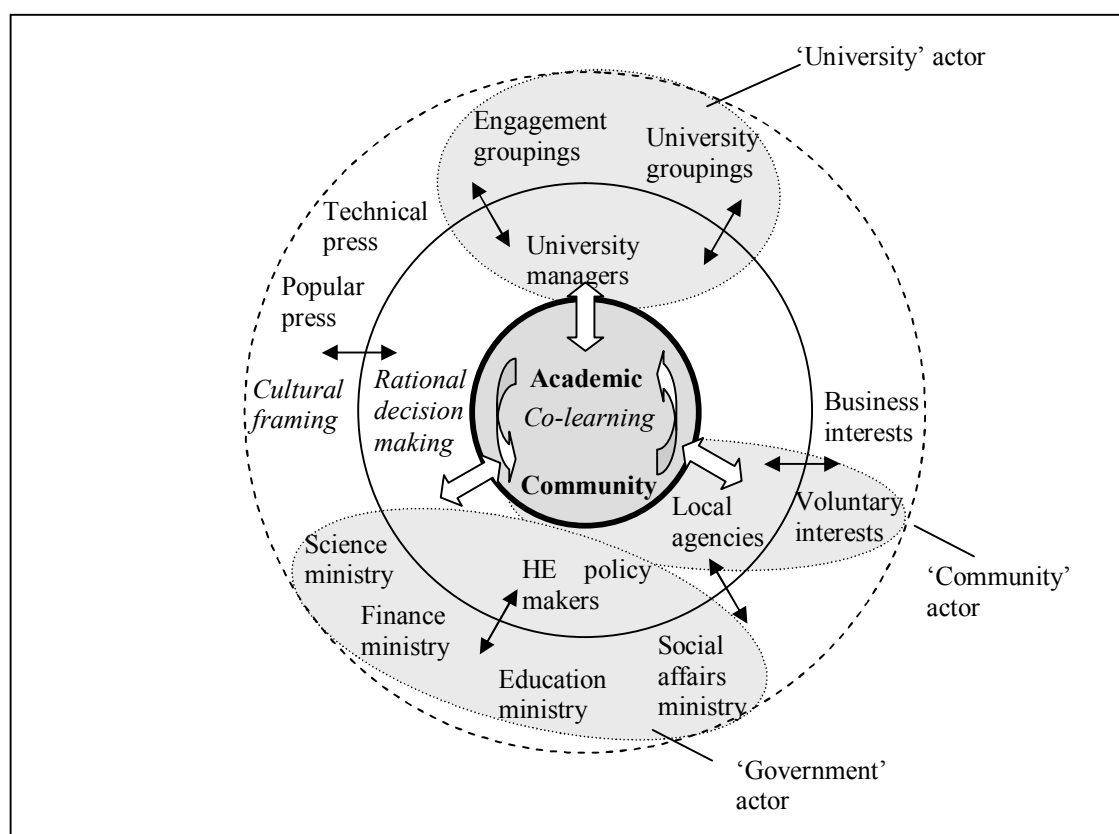
We argue that this can have a structuration effect, repositioning these communities within the local structures which create the positions of exclusion. The basis for the model is that engagement is a difficult process to initiate and sustain in practice, because it depends on building engagement activities that meet the needs of a range of partners. At its core is a set of co-learning activities between individual academics and community members, with clearly defined shared interests and needs. The university actors in effect use the community as an interesting laboratory in which to extend their studies, whilst the community learn about themselves in the process of generating new knowledges about their situation, and that improved knowledge helps to strengthen their societal position.

There is then a second set of interests whose relative alignment shapes how easy it is for their principle actors to achieve their tasks. The particular policies and structures created by universities to support community engagement shape the environment within which the principal actors are able to create these new activities. Likewise, the direct decisions taken by higher education funders can create incentives and reward outcomes by those active in community engagement. There is an interaction here

between universities and policy-makers – eye-catching university instruments can shape the way policy-makers think about university-community engagement, whilst direct stimuli can initiate new policy experiments by universities.

There is then a third set of interests which condition how effectively successful engagement activities are able to flow outwards and drive strategic transformation within universities and communities. There are many actors active in this field within the university, community, government and society. The culture of acceptance within universities determines how effective it is for strategic direction and policies to embed engagement within core university activities. The wider rhetoric of the societal compact and relative valuations for university missions by government (often outside the science ministry) may shape the kinds of arguments that universities feel able to advance. Societal pressures from parliament, non-governmental organisations or pressure groups may in turn compel universities to produce some kind of collective response or statement of activity (such as the Kellog report).

Figure 5 A stylised model of the embedding of university-communities engagement within rational decision-making and cultural framing processes



The fairly well-understood process of co-learning is one element of university-community engagement, albeit a critical one. That co-learning is embedded within a layer of rational/ direct policy-making which shapes the wider environment for community engagement. That rational policy-making is in turn embedded within a wider, and more fluid culture of competing pressures and interests which determine the kinds of visions that universities and policy-makers have for engaging with excluded communities. It is not therefore sufficient to only study the co-learning process – what is also necessary is to explore in more detail how this co-learning diffuses outwards and influences rational policy-making, and how that in turn

interacts with two critical discourses, university engagement (framing how key actors conceive of appropriate university missions) and social inclusion (framing the latitude for self-determination given to local communities). A stylised depiction of this is given in figure 4 above.

This influencing process involves a rescaling of activity, from micro-scale activities where actors come together and generate social capital to meso-scale changes in the nature of wider social processes by changing the rational policy decisions taken by a range of actors, and then the wider cultural contexts within which community engagement and social inclusion takes place. This means that the small scale activities have successfully exerted influence at higher levels, and suggests that the social capital has therefore demonstrated its value as capital by ‘appropriating social energy’ as Bordieu puts it, and seeing the interests of communities taken seriously at higher levels. There is therefore a need to understand this upscaling process whereby individual activities produce broader societal changes. Our model is that small activities can be considered to make a difference to particular situations if they have an observable effect at higher levels, that is to say that they become incorporated in the way that higher level actors consider issues.

3.5 THE SALFORD UNIVERSITY CASE STUDY

The basis for the report that follows has been a very detailed case study of the Salford University situation through the case of the Moneyline project. The focus for this has been to follow an engagement activity as it has moved out of the university, and become a social innovation, and spread into excluded communities. The focus for the research has been this translation and growth process, to understand the question of the capacities which exist for universities to acts of sources of social innovation which may yet transform excluded communities. Our story really begins some time after the original co-creation, although we take it as read on the basis of our interviews as well as the fact that the principles involved has subsequently used a co-creation methodology which suggests its origins lay in the first project. The question is to what extent do innovations which emerge from the university help to address processes of social exclusion, in this case financial exclusion, as set out in 2.2.1

The methodological background for the case study is a critical realist ontology, which accepts that a social science method cannot produce perfect knowledge of a situation. The aim of the method is to use detailed triangulation of evidence in a consistent way to highlight critical consistencies and relationships that allow the articulation of a set of stylised facts which help to establish the significance of particular empirical phenomena and their relationship. The aim of the case study is therefore to produce a stylised set of facts about the situation, and the relationship between those facts, which aim to provide a better reflection of the underlying reality than a simple narrative. These are presented in a synthetic narrative which aims to make explicit the nature of relationships and avoid creating implicit relationships through textual or temporal juxtaposition.

4 MONEYLINE & COMMUNITY ENGAGEMENT AT SALFORD UNIVERSITY

4.1 UNIVERSITY OF SALFORD

The University of Salford can trace its roots back to 1896 and the merger of the Salford Working men's College with the Pendleton Mechanics Institute. The new Royal Technical Institute, Salford (renamed the Royal Technical College, Salford in 1921) offered a range of courses geared to the needs of local industry, with a particular focus around mechanical engineering, chemical works, textiles and construction. In 1958 the College split into two separate parts – the Royal College of Advanced Technology (which with its new CAT status could only offer university-level qualifications) and Peel Park Technical College, which through several iterations finally became University College Salford in 1992. The report of the Robbins Committee in 1963 paved the way for the Colleges of Advanced Technology to assume university status. The Royal College of Advanced Technology became the University of Salford in 1967 and was reunited with University College Salford in 1996.

In the 1980s, the university suffered from government imposed cuts in the higher education sector, and, in response to this, took a decision to reposition itself as a business focused institution: in the hope that building a portfolio of commercial relationships and interactions could offset losses elsewhere. Throughout the late 1980s and 1990s, the university again found itself in a period of sustained financial pressure. In 1997 a new Vice Chancellor was appointed (Professor Michael Harloe) who looked to reconfigure commercial activity to take into account the potential social, cultural and economic impact the institution could have on its locality. As a consequence the university aims to produce teaching and research outcomes that have a direct and practical application 'in the real world'. 'Enterprise' (with a very broad definition referring to social as well as commercial activity) is its defining characteristic and a core activity alongside teaching and research (see below).

4.2 COMMUNITY ENGAGEMENT AT SALFORD

The University has taken a conscious decision to position itself as a "leading enterprise university" (Powell, 2008: 2), with a significant amount of community engagement activity badged under the rubric of 'Academic Enterprise'. The term 'enterprise' is used in a broad sense, encompassing 'socially inclusive wealth creation' and is based on the premise that academic enterprise should have social and cultural outcomes, equally important to any commercial and economic benefits that might be created.

A number of products and projects have been established which feature these social impacts, sometimes run through research institutes which have an academic agenda focused around addressing issues of social exclusion. Community Finance Solutions (CFS), for example, is a research and development unit set up in 1999 which aims to "empower communities to solve local problems relating to land and financial exclusion" through "promoting and developing integrated solutions for financial and social inclusion, and community asset ownership". Its initiatives have included Salford Moneyline.

Academic enterprise is now a core activity, fully embedded in teaching, learning and research activities rather than as an additional 'third strand'. Driven by senior managers in the university over the last ten years, principally by Professor James Powell, PVC for Enterprise & Regional Affairs, but with the support from the Vice Chancellor, academic enterprise is strategically managed through both university and faculty 'Academic Enterprise Committees'. Overall priorities and targets are set against University, Faculty and School plans. The Enterprise Committees monitor progress against agreed targets and take corrective action to achieve these where necessary. The PVC for Enterprise & Regional Affairs is assisted in this by Associate Deans and Associate Heads of Enterprise in Faculty and Departmental structures.

In order to embed the notion and practice of 'academic enterprise' these formal organisational structures are supported by particular measures designed to reward and incentivise individual academics. Hence, as part of its Higher Education Role Analysis (HERA) job evaluation the university has included academic enterprise as an equal category to research and teaching and learning related activities. Enterprise can therefore be the basis of a promotion case by an individual academic.

Other measures were based around identifying and obtaining funding to free up individual academic's time. The Academic Enterprise Department then became involved in a project funded jointly by the Council for Industry and Higher Education (CIHE), HEFCE and the EPSRC, along with a number of British and European universities, which designed and tested a staff development process intended to encourage "the right kinds of academics to learn how to become more enterprising in the most appropriate ways" (Powell, 2008: 4). This produced the UPBEAT (University Partnership to Benchmark Enterprise Activities and Technologies) matrix. This framework is used at Salford as a project evaluation and individual staff development tool. Individual enterprise activities additionally have their own project-specific targets.

4.3 PROGRESS & OUTCOMES IN COMMUNITY ENGAGEMENT

To date the enterprise agenda is viewed as partially embedded, with one faculty wholly supportive, two described as 'halfway there' and the fourth more reluctant to engage. Elsewhere (Lockett, 2007: 13) the process has been described as initiated in a top-down manner, and in large part driven by the PVC for Enterprise & Regional Affairs, described in Lockett's interviews as 'charismatic' and 'evangelistic', rather than a grass roots development.

Building long-term relationships with partners outside the University is also identified as a necessary element of sustainable and successful enterprise activities. The University fosters and participates in a range of networks and strategic alliances, which both support on-going activity and also create opportunities for future demand-led engagement (HEIF 3 implementation plan). Academic enterprise activity has been presented as narratives of success to help publicise the university amongst potential partner stakeholders.

Community engagement activity also takes place through 'everyday' teaching and learning practices. Through the university's website, a number of Research Institutes are highlighted which allow access to specialist skills and research facilities. Research projects which support economic and social growth targets are also flagged up through the Academic Enterprise website, illustrating how university academics can assist public sector organisations, communities and individuals. Academics from

the University are involved in the Urban Regeneration: Making a Difference (UR-MAD) project, a HEFCE funded initiative run jointly between Salford, Northumbria, Central Lancashire and Manchester Metropolitan universities.

The project has four thematic areas, including community cohesion. The university is also a partner in the Manchester Beacon project, along with the University of Manchester, Manchester Metropolitan University, the Museum of Science and Industry and Manchester: Knowledge Capital. Overall the project is aimed at changing attitudes in academia around community engagement, as well as promoting public and community engagement activities.

The university also participates in the Contact Partnership, a body which brings together the University of Salford, MMU and the University of Manchester on collaborations not directly linked to either teaching or research. The Partnership has been in existence for some twenty years, with varying responsibilities throughout this time. Current activity is in the area of reach-out to business and the community.

5 GREATER MANCHESTER MONEYLINE (FORMERLY SALFORD MONEYLINE)

‘The first house I ever went to was a young unmarried mother with no carpets on the floor, one saucepan and a one ring hob and a little baby with absolutely no money in the world; who borrowed money off various loan sharks in the area and was just in a horrible state ... that was the start of it’

‘Prior to this the only way I could borrow a substantial sum for a suite or whatever was by going to loan sharks who charged 60% interest. So this was good for me’

‘I would feel intimidated going into a bank. In fact I know, I’m not silly, I know it would be a no’

5.1 BACKGROUND AND CONTEXT

The idea behind Moneyline was first raised by a previous CEO of Portsmouth Housing Association, Bob Patterson. In his job as both CEO and local magistrate he had witnessed the impact of financial exclusion on individuals and communities and wanted to develop what he then called ‘community area reinvestment trusts’. He approached a long-time friend in the University of Salford, Professor James Powell, who had a specific interest in community and social enterprise, who, in turn, contacted a colleague, Karl Dayson, who was looking to study for a doctorate in the field of financial services.

The idea of ‘community investment trusts’ (CIT) appealed to Karl as a research topic and to James as a potential flagship project for the university. Funding for identified background research was secured through a Leverhulme grant, awarded in 1997. At its heart was the development of an alternative, not-for-profit, lending model tailored to specific community needs. The spatial focus of the research was Portsmouth and Salford, in the main because Bob lived in Portsmouth and Karl in Salford.

5.1.1 The problems of doorstep lending and financial exclusion

The problems arising from mainstream financial exclusion ‘are well documented’. In particular, the forcing of those least able to afford to borrow into the hands of ‘sub-prime lenders’ who charge higher amounts of interest. The biggest such lender in the UK is ‘Provident Financial’, or ‘the good old Provi’ as it is more commonly known; currently a monopoly provider with over 50% of the UK’s ‘doorstep credit’ market. Yet at the time of the Leverhulme research interest rates on a £200.00 loan were 364%. The intention was not only to design a model of credit that would be more affordable than such lenders but a model that would contribute to community regeneration. It would not merely replicate the credit union model, which, whilst of benefit to participating individuals:

‘the essential weakness, in our perspective, was all they did was recycle the people’s existing money in the community ... you save and borrow and your neighbour saves and borrows and no extra money was going into the community. It wasn’t actually making the community physically richer ... in that sense it was quite narrow’

Hence the idea was to develop a credit model that would operate on the same basis as any other mainstream lending institution, but, as a not-for-profit enterprise, have in common with credit unions an interest in the local. Capital would be sought as a form of social investment from identified share-holders, in the main banks, housing associations and local authorities, sufficient to fund the development of a range of credit products, in particular small personal loans but also housing and business-related loans.

‘The idea was that the small ticket loans and the business loans would be quite choppy as we would describe it. Or, in other words, they would have defaults that would go up and down but they would be great for cash flow; lots of small loans, lots of money going around, it helps business. The bigger ticket loans around the housing lending that would be less risky but it would eat more capital. Therefore you would have to have some to balance the two and so quite a financial engineering process’

People would apply for loans, as with any mainstream lender, but repayment agreements would be based on both an ability to pay and personal circumstances. Whilst the former would be essential it was also intended that any repayment agreement would not place the client in a worse financial situation. The capital would also need to cover essential running costs, such as premises and staff.

5.1.2 The model in the ‘laboratory’: building up the concept

A crucial element to the development of the model was community opinion and input. A CIT could be a generic model but both Bob and Karl wanted to tailor it to the needs of the communities in question. Hence a lot of time was spent getting ‘a feel for the areas’; literally walking the streets of Portsmouth and Salford respectively introducing themselves and the CIT idea to local people. Gradually they were introduced to community groups, which helped to both extend their information-gathering and visibility. Indeed, over time they were introduced to every single type of public agency operating in both Portsmouth and Salford. Although time consuming this research was not only vital to the framing process but also to the generation of trust and support amongst local agencies for university involvement as well as any subsequent model devised.

Since they identified mainstream banks as part of the problem Bob and Karl also wanted their input into the research. In time discussions were held with quite senior management, which proved successful in persuading the banks to first accept some responsibility for financial exclusion and then to support the project. Karl links some of this success to the political context at the time. It was 1998 and:

‘it was the early flush of the new labour government when ... there was an awful lot of belief in the City that they had to do something, they couldn’t carry on as they were ... it did feel like things were changing and there was a different way of sort of looking at the world. That’s where all the CSR² stuff came from at the same time’

In Salford Barclays Bank were especially interested, with Bob and Karl, over time, being invited to talk to people just below Board level. The ideas were then raised at Board level by the respective personnel. In Portsmouth specific support came from Lloyds TSB. As with community input the discussions with both Barclays and

² Corporate Social Responsibility

Lloyds TSB helped to shape the developing CIT idea, with a report of the model eventually launched in July 1999.

5.1.3 From laboratory to prototype: the decision to launch

Whilst the report satisfied the Leverhulme funding criteria the banks suggested that the proposal should be transferred into a working model. Bob and Karl were certainly in support of doing this but had to first have the idea sanctioned by the university. Whilst the project fitted in with a developing ethos of community engagement university administrative procedures were not equipped to accommodate what was effectively the setting-up of a bank.

‘This is a very particular project and it was frightening to some people the notion of not just researching it but actually building a bank; what could go wrong, what happens if we lose money, who pays, who is responsible?’

It was suggested that:

‘often the people at the top do want things to happen but there is always a layer of middle managers that have their procedures and they insist that procedures are followed, that’s their job’ and that’s the treacle ... it was a case of that group of managers had not been brought on board with this idea, it was new, it was different, it was unusual and they weren’t going to give it an easy ride through the system whatever the senior management might say or instruct, there was always going to be that tension’

‘... a tension between the university with a desire to do the right thing and a desire to not change its systems and that’s about the way we do things. If you want to do this then you have to change the way you do things or at least allow exemptions to do these things. There was a good couple of years of scrapping over that ... and I doubt it would be different anywhere else’

Gaining university endorsement was therefore a frustrating process, but, it helped enormously to have the support of one particular senior manager, Professor James Powell, then PVC Enterprise and Regional Affairs. It was noted that:

‘James was our champion inside the system. I have no doubt without James it wouldn’t have gone through to be honest. I think the university always thought it was a good idea but was always nervous about actually doing something ...’

It helped that James was not only sufficiently high-up in the university, and had relative autonomy, but that he also had a track record of successful project management that had generated substantial income for the university.

‘The deal I did with Bob was he was never allowed to lose me any money and he had to abide by the same rules that I had put on my own staff ... [thus] he had to earn enough to do the job plus 20% ... so here was a novel project working in a university school that ... had to stand alone financially and provide us with 20% on costs. At the beginning even the Head of School was against it but when we actually started to produce projects with money plus 20% they were spellbound’

‘Fundamentally I was responsible until it was successful. It was a project linked to the school but run within the aegis of academic enterprise. It

wasn't until it was fully stand alone that the school wanted it, really wanted it'

In contrast practical support from both Barclays and Lloyds TSB was readily provided at senior management level. The Director of Barclays visited Salford in early 2000 and was shocked at the degree of dereliction.

'... you know late 90's Salford was pretty desolate and he said "I've never seen so much broken glass in my life" and that's what it was, that was the defining image for him, all that broken glass. So I think that was such a culture shock for the bank ... in some respects it was an easy transition because they were so out of their comfort zone they thought this is clearly poor we must address it as opposed to the university who sat next to this community for years and they didn't notice it was getting old ... sometimes being the Martian is an advantage because you can see things clearly and I thought the banks saw it much clearer.

The other thing is the banks went native very quickly and they sided with the community against the local officials ... and suddenly what the local officials found was ... the community incredibly articulate arguing against them ... [hence] the bankers and ourselves ... sort of drifted into ... translators between these two communities that didn't really communicate very well ...'

The project also fitted in with Barclays CSR agenda, in particular its 'pound for pound' scheme in which any money raised by staff on behalf of a community project would be matched 'pound by pound' by the bank. Barclays thus offered equal investment to any community capital the project could raise. Context also played a part in Barclays support. At the time Barclays had initiated a branch closure programme that had specifically impacted on non profitable branches in small communities. There was a realisation amongst senior personnel that such closures had denied access to banking services for specific communities and so anything they could do to compensate for the economic priority underpinning such decisions was seen as a good thing for the bank to be doing. The closure programme was also leading to a surplus of experienced senior staff looking for seconded work. Furthermore, the bank was pushing to extend its bank account base. Thus, any initiative that could help currently excluded people onto the credit ladder would be useful to the bank. Similar reasons underpinned other bank support both in Portsmouth and Salford: Lloyds TSB in Portsmouth; National Westminster in Salford.

Yet it was noted that support from the banks would not have been so forthcoming if the university name and involvement had not been linked to the project.

'... no doubt once introduced they [community groups] didn't need the university but the university just adds credibility to the scenario because for the bank to say to its Board well we work with the University of Salford and these communities as opposed to working with these communities just changes the dynamic ... I have come to the view that universities have this sort of intermediary role ... which we don't exercise enough and don't realise how useful it can be ...'

The university was likewise crucial in bringing both the local authority and key housing associations on board: the former because of its political authority and access to funding; the latter because of the potential benefits of a community bank to local tenants.

‘I think it was good to have a brand name. He (James Powell) could open doors because he was a Professor. He was well known; certainly in the city, with the city council. He opened doors for us’

‘I think we saw it as a service to our tenants because we recognised on any number of occasions that people wanted a few hundred pounds for something and they would go to the loan sharks ... well you’ve heard all the stuff about the loans sharks that have just been put away round here ...’

5.1.4 Creating a structural opportunity via IPS law

From the very beginning Bob and Karl’s main responsibility was to clarify the appropriate legal process for setting up a financial institution. They aimed to use the ‘Industrial Provident Society’ (IPS) legislation to sanction their model; a piece of 19th century legislation last used to establish ‘working men’s clubs’ and such groups. Yet the Treasury ‘took fright’ at the idea of a CIT; ‘they were just horrified it has to be said’. The Financial Services Authority (FSA) was equally unsupportive. Hence it took over 2 years, and ‘an awful lot of money’, to persuade the relevant lawyers and government officials that CITs were lawful. Civil servants had referred it all the way up to the Home Secretary but he refused to sign the necessary papers. They were eventually signed by Simon Timms, then a Junior Minister at the Treasury. The experience showed that:

‘The British state does not like change. It does not like innovation unless it invents it. Civil servants hate anything like that and will do anything to kill it if they can’

A Constitution was part of the legal package that essentially aligns the CIT with general IPS rules. It includes agreement on the share capital basis, its Board membership and voting regime, based on the principle of one member one vote. Run on a not-for-profit basis it is unlikely that shareholders will receive any dividends on their investment. Indeed, it is unlikely that shareholders will get their original capital back. Organisations invest because they support the idea of the CIT rather than to profit from their investment. It is also based on a ‘one member one vote’ ethos regardless of the number of shares any one organisation or individual has invested.

5.2 ‘PROMOTE THEN FLOAT’: THE IDEA GROWS LEGS

5.2.1 Creating an institutional structure

During this time both Lloyds and Barclays provided senior managers as secondees to the respective Portsmouth and Salford projects: the Lloyds secondee based in a local housing association in Portsmouth; the Barclays secondee based in Salford City Council. However, the latter arrangement became problematic as private/public cultures seemed to clash.

‘... it seemed to be the management that was more in awe of someone coming from outside. Perhaps we were talking slightly different languages. I certainly didn’t understand some of the stuff they were telling me and they probably didn’t understand me’

There was a particular problem over the council having agreed to cover the salary of the secondee.

‘... they realised only the Chief Executive earned more money than him ... he was a senior manager, these people get paid a lot of money ... they found that really difficult ... [and] couldn’t understand why this person with no staff and not a great big empire and all the rest of it got paid so much money ... the local authority never coped with that really’

It was eventually agreed to move the secondee to the university. However, whilst very supportive the negotiation of different backgrounds and cultures was likewise a persistent feature.

‘I used to sit down and say I’m sorry I haven’t understood anything you have told me and can we unravel this. They were speaking English but not in a language I could understand’

The practical setting-up and working of the CITs was delegated to the secondees, which included identifying potential investors, setting-up a steering committee, finding premises, training and advertising for staff as well as marketing the service to potential customers. Since a new idea to both secondees they kept in contact to help inform each other’s work. Focusing on Salford the secondee had a history of project development and management and liked the idea of being involved in the setting-up of a non-traditional financial system.

‘It was all new and I struggled for a while to understand what it was that people wanted or expected because there was nothing there and these things didn’t exist ... there was no model to go and look at. It was just on a piece of paper, it was just an idea’

The initial capital was invested by Barclays (£25,000) and three housing associations (£25,000 each). Housing associations are also ‘Industrial Provident Societies’ (IPS). By law non-IPS companies can only subscribe up to a maximum of £20,000 IPS shares but an IPS can invest unlimited amounts into another IPS. Those approached about the idea of a CIT were very keen to both invest in and support its development. NatWest contributed a further £20,000 to the Salford CIT, and Salford University £4,000, but over time the bulk of the capital investment was from public funding, in particular from the Single Regeneration Budget (SRB), which, at the time, ‘was throwing money into Salford’.³

‘I would honestly say, and it’s as true today as it was in 1999, the local authority has been absolutely fantastic in helping create it [Moneyline] ... without them it wouldn’t have happened. It definitely unlocked lots of financial doors ... it’s [virtually] all been state money in one form or another’

Through Salford City Council the project was awarded £637,000 SRB funding over a five-year period as well as £105,000 from the European Social Fund (ESF). A further £400,000 was awarded by ‘The Phoenix Fund’, with matched funding of £500,000 from the Council. The Phoenix Fund aimed to provide business support in disadvantaged areas. The funding received would contribute to the provision of loans to both small businesses in Salford and individuals, particularly those wanting to upgrade their properties in the redevelopment area of Seedley and Langworthy. The CIT thus began with an investment pot of around £2 million.

³ In particular the Seedley and Langworthy area of the city

5.2.2 Building the management and involving the community in the CIT

Anyone can invest in the CIT and a number of organisations have subsequently responded to the various 'share calls', including local authorities. The university also owns shares in the CIT. However it was noted that community share-holding has been minimal.

'I can't pretend that local shareholding has been a big success. But it [share calls] has been helpful in demonstrating to local people that this is different from normal organisations'

Foundational members of the steering committee in Salford included the university, the City Council and Manchester Methodist housing association, now known as 'Great Places'. Further community representation was sought through making contact with as many organisations as possible and getting invited to events at which the CIT idea was presented. Links with Manchester Methodists were vital to opening doors to a wider community audience, whilst links with the Council were utilised to gain access to business people. Unfortunately, the link with the council was viewed suspiciously within community circles. For one local resident in particular:

'I heard about this rumour that the council were going to create this re-investment trust and it was to give loans out. So right away I thought it was the council trying to stitch us up as rate payers, council tax payers ... so I got a bit more involved ... and I realised after going to two, three or four [meetings] there was probably a real chance to create something different. It had input and support from the local authority [but] it wasn't controlled by the council. I've not got a lot of faith in councils; they make a right balls up of it don't they?'

Conversely, some within the local authority were suspicious of the project. In particular, they were fearful of something they had little control over.

'I think [after] years of losing control to national government ... the idea of losing even more control from the bottom as well as the top is quite difficult to deal with ... [But] in the best places the local authorities were incredibly supportive and put on the Board people who were really influential in the local authority or people who could access finance for the organisations ... so really it just depends on the local authority'

Over time the active promotion of the model helped recruit three community, two business and two housing association representatives in addition to the local authority and university representatives. One of the fundamental roles of the steering group was to agree on how the CIT was to actually operate. The initial idea was to deal in cash, which raised issues of access to an adequate cash flow as and when required, the system of payments depending on the amount requested and its storage on the premises. Very quickly it appeared patronising to think that people would want to deal in cash given the common currency of plastic. Also, there was evidence of a high degree of computer literacy across the communities.

'I suddenly thought to myself why should I think that these people want to deal in cash. If we're going to integrate people into the bank let's get them used to it from day one ... [so] let's go plastic, let's go electronic'

Debates about the setting of interest rates were especially interesting.

'Everybody thinks and starts off with [the idea that] the people we are going to be dealing with are poor and therefore the interest rate must be

low because they can't afford to pay it. The trouble with that is it'll attract people who can get their money from the bank because ... it's cheaper than the bank. And you don't want to do that. I wasn't going to get the bank to fund me and take their customers. Then when you look at what's going on the money lenders, who you are really targeting, are charging hundreds of percent. So as long as we pitched it at the rate where you or I could borrow money that was fine, which is what we did ...'

The 'how' questions also included debates about premises, 'where do we want to meet people', 'how we do we want to interface with people'; and the application process, what kind of form(s) would be required, to what extent would we have to scrutinise people's income and expenditure? Whilst a labour-intensive process the 'how' questions kept the visionaries grounded.

'... there was people who [thought] ... we'd end up ... stepping into the shoes of the Post Office [despite the fact] ... we might never get a license to do that sort of thing. ... We shouldn't do anything that should stop us doing that in the future but that's not what we are going to start with so it's pulling the reins back ...'

'I had never built a company before or anything so I was learning as I went along and taking the people with me to some extent. I did have a worry at some stage that this was very much me pulling but we got there and we got there reasonable quickly'

The 'how' questions likewise informed the staff recruitment process. All those involved wanted to find the relevant expertise within Salford, even if training was necessary. Whilst personal lending had been the project's initial motive public funding had disproportionately increased the business loan pot. Hence the need to find local people with expertise in both personal and business lending. The office would also need a manager. Likewise, the managing of a £2 million investment pot required people already skilled in financial services. Community and local authority contacts were used to help advertise for staff as well as the Manchester Evening News (MEN). The local authority and university also helped with the recruitment process. It wasn't an easy relationship as both organisations had their own ideas about procedure.

'We had a very strange recruitment process for the manager. The university wanted to get involved in it and decided we should run this day and we would ask them to do a presentation [and] they would all hear one another's. That really put them under pressure'

5.2.3 Delivering training outcomes and creating community skills?

As part of the recruitment process an application to the European Social Fund (ESF) allowed the secondee to organise and deliver a Continuing Professional Development (CPD) course in banking/book-keeping skills. The initial idea was to offer training to local people who could then be employed by the CIT. A longer-term idea was to develop additional small businesses involving local people trained with the relevant skills that, in turn, could support those financed by the CIT; in particular women who were looking for part-time work. Local colleges were approached to help both develop and deliver the course. Advertised in the local media the course attracted around a dozen local women. Running for 6 months the majority of participants finished the course. Unfortunately, not one of those trained came to work for Moneyline. Likewise, none of the women wanted to set up their own business.

Rather, they had been attracted to the course as a means of supporting self-employed partners or finding work in a mainstream bank.

A shorter CPD course was also established aiming to train local people on the practicalities of being a Board Director in the voluntary sector. Once again the idea was to train people who could then act as community representatives on the CIT Board. Overall, the training intended to help empower local people to run the CIT rather than the university. A eight-week course was developed and offered to specifically identified community activists. Only three stayed the course, all of whom were recruited to the CIT Board. It was noted that the courses not only contributed to community capacity-building but were an important mechanism of awareness-raising of both the CIT and the university amongst local communities, which, in turn, helped gain local political support for the CIT.

There was disappointment that despite deliberate attempts to make the job adverts accessible to community audiences', and the provision of relevant training courses, only one applicant originated from community networks; the remainder responded to the advert in the MEN and were experienced banking staff. Indeed, negotiating the balance between community orientation and professionalism has continued to prove problematic for the CIT (see below). Two people were eventually recruited, both ex-Nat West employees; one to cover personal loans, the other to combine business loans and office management.

Throughout the developmental stages the university was represented by Bob and Karl. Indeed, Bob was the 'anchor' in the early days and kept in touch with the Salford team as well as leading on the Portsmouth project. Bob and Karl attended steering group meetings but also made themselves available whenever necessary. Once Salford Moneyline was 'up and running' the Barclays secondee worked with Bob and Karl to help extend the model to other localities. Contacts and word of mouth had encouraged a range of local authorities and housing associations to approach the university team about CITs. To date, they have initiated and supported 11 CITs across the UK.⁴

One of the most successful is the East Lancs Moneyline (Blackburn). Measured in terms of increased capital and customer base the Provident have admitted that their share of the lending market has fallen by 20% since the CIT was launched in Blackburn. Whilst place may be an important factor the success of the East Lancs Moneyline is also credited to its leadership. As with the Salford case once each CIT has been legally established, housed and staffed the university team has withdrawn from the project.

A loose network of Moneyline branches used to meet once every 6 months but now only get together if wanting to discuss a specific issue. All of the CITs are members of the national network for community development finance institutions, which operates as a trade association. The Moneyline initiative has won a number of awards: most innovative project in the North West 2003 and 2004; and the Times Higher Award for 'Outstanding Contribution to the Local Community' in 2005. More recently it has been submitted for a Queen's Award in 2009. The project is regularly

⁴ The only unsuccessful CIT has been in the North East of England. Those involved wanted a different model than had been previously established in all other localities. There were more agencies wanting to participate and a suggested network management structure rather than a top-down Board. The complexity of the attempted model is the reason given for its subsequent demise

promoted as an example of best practice by the university and has been endorsed by the Local Government Association. The university has also awarded Bob an honorary degree in recognition of his community work.

5.3 DEVELOPMENT, PRACTICE AND SUCCESSES

5.3.1 From a CIT to 'Moneyline'

Salford Moneyline was officially launched in December 2000; the name having been suggested by a community representative.

'The name actually came from a neighbour co-ordinator. We were wrestling with a name. It was called at one time an Area Regeneration Trust and I thought no-one would [remember that] ... we couldn't use the word bank because we weren't a bank. Then this lady said one day if I'm not there at any time and if anybody asks for anything about this project it's in my office in a box on the shelf under the name Moneyline. I thought oh that's good ... so we used it and that's how it got its name, quite by accident'

A launch party was held in a local British Legion hall. The local MP, Hazel Blears, was invited and attended, as did a wide variety of community representatives.

'We were packed out. There was standing room only. I couldn't believe it'

The launch party helped to further raise awareness of Moneyline and recruit volunteers for its Board. James Powell acted as its first Chair and Karl as Minute secretary. For James the role of chair was not only about representing the university at Board level but, more importantly, to support the community within a Board of mixed business and community representation. Also, to act as a 'neutral umpire' in discussions held between the Board and other interested agencies, for example local authorities.

'... the business people thought they knew what to do already and my part was to take the role of the community and help them frame the questions that were relevant to them. I like to think that over my year and a bit that I was chairman that I enabled the community to ... have sufficient confidence [and] that they got the structure they wanted ...'

At the beginning Moneyline was based in an office above a Credit Union, but without its own entrance. In an attempt to reach within communities specific 'clinics' were held in community sites on Wednesdays and Saturdays. Unfortunately the Saturday clinics had to be abandoned as those booking appointments simply didn't turn up. They kept the Wednesday clinics running until moving to its own office in Salford Precinct in 2002. A member of the Board involved in a property company helped secure and re-fit the premises. Barclays also provided £20,000 towards refurbishment.

After 6 months Karl withdrew from the project. James remained as Chair for a further 12 months. They had always intended the CIT to be a 'promote and float model' independent from the university and owned by its community representatives through the Board. The withdrawal was not easy as there remained an impression amongst the Moneyline Board that the university should continue to support the project, especially with tasks they had previously taken responsibility for. The withdrawal was further hampered by the university's close proximity to the Moneyline office, which meant that James and Karl were easy to contact. Communication between the two parties

became increasingly difficult, leading to a ‘clearing of the air’ after which a clean break was agreed.

‘It almost did need a clearing of the air session in the end where things, came to a head’s too strong a word, but ... actually in hindsight that had to happen. ... I think it’s much easier to let go when you are not next door. ... I have no regrets about how the process worked out. We had to go through some cathartic experience for both sides to move forward and actually we have now worked with them again and I think things are much [better] ... [we have] a much better relationship’

The new Chair was the owner of a property company with links to the then Manchester Methodist housing association. He brought a business head to the project and introduced a formal structure both to the overall organisation (see committees below) and to the business loans process.

‘... we started to change the way we did things ... with business lending [there had to be] two Directors to every business applicant. And they would have to agree [to] ... our set of conditions ... [He insisted we] go and see the business, see what they’re about. If you’re making cakes let’s see how good they bloody are. If you’re an engineer let’s see how good you are at welding; that kind of stuff’

However, very soon there was a clash of expectations between the chair as a ‘high powered businessman’ and a Board of volunteers from the third sector.

‘He didn’t have time for the debates. It was business, bang, bang, bang. That was a bit of a disaster so he didn’t stay around, by mutual consent. He came to me one day and said “I don’t think I’m the right person to be managing a Board of volunteers. I haven’t got the patience” ...’

5.3.2 The governance systems of Moneyline

One of the community representatives took up the post for a while until the appointment of the current Chair in 2008, a former Finance Director of one of the housing association’s investing in Moneyline. The current Board of around 12 comprises an Acting Chief Executive, a Chair, Secretary and other representatives from housing associations, some with accountancy and finance backgrounds, a local resident, the city council and private sector. They currently oversee 3 companies: Salford Moneyline IPS Ltd., which trades as Moneyline Greater Manchester (business and personal lending); SML Homes Limited⁵; Salford Moneyline Trust (a charitable trust and currently dormant). They are also responsible for a staff of 6: 4 loans officers, 1 housing officer (P/T) and 1 office manager.

The main role of the Board is supposed to be limited to governance and policy, but, more recently, specific members feel they are having to get involved with day-to-day management. Hence individual Board members have taken responsibility for such as internal audit work and health and safety checks as well as developing policy and procedures. On a more strategic and formal level there is a committee structure that makes decisions on (1) policy (including staffing issues); (2) housing; (3) Personal Business Loans. Each Board member contributes to 1 or more of these Committees.

⁵ FSA registered and local authority agent for home loans/mortgages; a new venture from October 2008

Any final decisions made within the committees must come to the full Board for ratification.

The only staff representative is the office manager, who sits on the personal loans committee. And whilst the Board would like more staff input there is a feeling amongst the Board that they are not keen to get involved with what they identify as management. However, whilst Board members have always been active ever more input is now required of its representatives. There is certainly an acceptance amongst the Board that without such input Moneyline would not exist.

‘There is no doubt that Moneyline is dependent on its Board directors and the time that we put in to keep it going because we don’t have the [staff] expertise ... an example of that is business loans where we don’t have staff members interviewing potential clients. That’s done by two Board members and there is some back-up admin done by staff’

‘Ideally the staff should be doing [policy] and feeding up to us to approve rather than us doing the feeding down to the staff. There isn’t a single member of staff who would be capable of writing a policy or procedure. There is no-one at that level’

From the beginning the intention was to focus on personal lending. And to date the ratio of personal to business loans has been around ‘80:20’. However, additional capital, offered by such as the Phoenix Fund, raised awareness almost from the outset of the benefits, both commercially and socially, of extending into business loans Board members have been successful in extending the business loan side and expect an equalisation of the personal-business ratio by the end of 2009. A new ‘fast-track’ system has been introduced through which potential business customers introduce their business plan to a panel of 2 Board members, who promise to give a ‘yes’ or ‘no’ answer on the same day. The Board has also worked hard to maintain important links with business organisations and networks. Indeed, some Board members think that business loans will become the prominent service offered by Moneyline. The only note of caution raised with this shift in focus is that it will change the ethos and practice of the project.

‘I think we have debated at the Board meeting whether we should stop doing personal loans altogether and just focus on a small number of business loans. I don’t think we will be ruling that out’

‘I’ve seen a shift in the emphasis in the last few months ... the Board ... have certainly from what I’ve observed been putting more emphasis on generating more interest in the business community ... without doubt there is people on the Board who have the knowledge to do it’

Trained loans officers⁶ process personal applications from initial interview to loan agreement to debt collection if necessary. Those who are refused credit have the right to appeal or lodge a complaint to the office manager.

‘I will do my best to resolve it one way or the other and if I can’t resolve it it goes to the Board’

⁶ Two having their salaries covered by additional funding from the Department of Work and Pensions

5.3.3 Linkage between Moneyline and the local community

The majority of staff live locally and have an awareness of and understanding of community and financial exclusion. Yet despite the necessary empathy the application process has to be exhaustive because of the very nature of their client base. For some the process is too intrusive. It demands more detailed information on income and expenditure than other lenders but this detail is seen as vital to help identify ability to pay and to offset defaults. Those who react negatively to the questioning process are reminded that it is essential to keeping the interest rates low and most people seem to then accept this. Some don't and therefore won't use the service. The questioning process is also viewed as helping to discourage 'irresponsible lending'.

'We got a lot of earache from the local MP ... when we first started Hazel Blears ... supported the project quite a bit but she then started picking up on the street ... [that] people were thinking we were getting a bit intrusive ... so we had to go back to Hazel and say unless we ask it we don't know whether we can lend money or not. We haven't got anything we have no bank account, so we don't know what they are like. We have to ask questions to find out as much as we can'

'It's a barrier somebody mentioned to me the other day. When you are at your lowest point do you really want to come in here and tell everybody about your life ... you probably don't so I would say that's the biggest barrier that we put up. But without doing that we can't assess people so unfortunately it's a necessary evil'

People acknowledge Moneyline is different to a bank and yet are more resentful at giving out personal details than they would if having access to a bank.

'... because we're a community lender why should I tell you what I want this money for ...'

'I think it's the amounts ... we get a lot of people coming in for 150, 200, 250, 300, or 400 and they're very small amounts. And they think why should I tell you my life story for 200 quid?'

It is also acknowledged that the application process is a barrier for some who don't feel comfortable with form-filling. The fact that lenders, like the Provident, come to the door and ask fewer questions makes their process far more accessible to such people. Cash is also offered immediately. The much higher interest rates don't appear to deter people's preference for such lenders.

5.4 THE VALUE OF MONEYLINE IN COMMUNITY CONTEXT

5.4.1 Moneyline supplying credit to local micro-businesses

The business loan side of Moneyline is more specialised and has relied on the expertise of specific Board members. Until recently none of the loans officers could process such loans but as part of the wider changes taking place the Board are encouraging staff to take more responsibility for business development. This has included an element of re-training still in process. Whilst experiencing some problems with arrears from business clients there have been a number of successes. These include small businesses involved in:

- o producing and testing child resistant medicine packages

- o home-based sewing (with contracts from local boxing clubs to sew badges onto members' shorts)
- o local catering and food delivery service
- o shop and floor fittings
- o data-base design and application

As indicated the business client base is diverse and its users have been informed of and approached Moneyline through a variety of sources. For example, one, a former self-taught and then self-employed carpet fitter, found out about Moneyline from a business advisor company, InBiz, linked to Salford Job Centre. Another is a former industrial engineer who moved into the design of computerised manufacturing control systems in the 1970s, then intellectually-based software and more recently, with his wife and son, to data-base design and application of administrative systems.

Likewise the business users have found themselves needing Moneyline for a variety of reasons over and above the common requirement of credit. One has fought years of ill-health, relationship break-up, casual work and unemployment to bring his ideas to a practical reality. Refused credit elsewhere contacts at InBiz supported him in the development of a formal business plan. He also re-contacted previous colleagues and a range of managers in the floor industry to help establish a potential customer base as well as generate letters of support for his plan. Both his preparation and enthusiasm convinced the relevant Directors that he was a good investment.

‘What I said in my interview is I’m like a farmer with all the knowledge; the cart but no horse to pull it. It’s as simple as that. But everybody can come out and spin stories like that to obtain a loan. It depends on the sincerity and how serious and focused they are’

Another turned to Moneyline after finding the mainstream financial system intractable when it comes to funding small loans and intellectual outputs whether it was the banks, venture capitalists or ‘business angels’. All were approached, involving a lot of preparatory work for the individuals concerned, but for a variety of reasons they either rejected the idea because of its intellectual property focus or were asking for much bigger and quicker returns on any investment offered.

‘If it was a shop you could borrow money relatively easy because if there’s a tangible asset and it goes belly up someone can lay their hands on [it]. If you buy a machine a small firm loans guarantee you buy the machine, you disappear we sell the machine.... That’s effectively how it works. Because we were in an intellectual property no-one wanted to know’

‘So we ruled out the banks, we ruled out the venture capitalists, we ruled out business angels. But we knew we still needed some money ... [and] we found it was then Salford Moneyline, which was just a little advert in the paper ... so we approached them ...’

This particular application was a test-case for Moneyline in terms of the sums of money being requested.

‘I think they found it a challenging prospect. Previously they had been very much involved with individuals and micro businesses ... we generated some interesting conversations at Board meetings in terms of should we be supporting bigger businesses and how do we analyse the risks on bigger businesses ...’

At the time representatives from the university were on the Board and it was these individuals who could understand and see the utility of the technology involved as well as the broader business idea.

‘... certainly a couple of people on the Board who had been involved in ... education ... could see immediately the relevance of what we were doing, okay, and therefore they also knew that there was no competition out there and therefore supported our bid’

Like the personal loans applications the business process is intensive and demanding for the customer. However, for those interviewed their thoroughness meant that Moneyline’s Directors were taking them and their ideas seriously.

‘... they know everything; you can’t kid them. So they were directing very assertively, do you know about this and do you know about that? And if you were trying to con your way or falsely get the loan ... they would know ... I came out of there and said “he knows his onions”’

‘It took us about three or four months of chatting backwards and forwards and eventually they said they would support us ... certainly a couple of people on the Board ... could see immediately the relevance of what we were doing, okay, and therefore they also knew that there was no competition out there and therefore supported our bid’

Business customers also appreciated the wider understanding of and sympathy with those applying for credit.

‘They weren’t just interested in the money as far as I could see. They were interested in the broader picture, which was nice. It was quite humbling really’

‘... the criteria they use for lending was ... more flexible than banks in so much that they would look at it on a case by case basis rather than what we knew happened in major institutions ... if you go to the banks it’s do you tick all these boxes, whereas here it was a case of we’ll sit and talk to you and try to understand and we will make a judgement of what we find rather than a pre-set of rules and that was refreshing, that was very refreshing’

5.4.2 Community perceptions of Moneyline’s worth

Certainly people’s lives have been turned around because of the credit Moneyline has made available.

‘So anyway, without the vehicle, which is a link to any self employed trader, I wouldn’t have got any work. I literally got the van on the Thursday and I was in work on the following Monday and I have been since, which is about two or three months ago now ... it’s just a general feeling of happy to be in work and to be earning’

‘I was flat broke and couldn’t see a way out so it was a learning curve in that sometimes there is help there and you have to sort it and seek [it]; but it proved to be massive and actually it might sound quite simple but it’s massive and yeah there can be help there’

‘NatWest now have given me 2 years free business banking and so on and so forth. So with this start [from Moneyline] it’s bridged me back into [the mainstream] ...’

For one personal lender Moneyline was a ‘lifeline’ after his wife died as it helped him learn how to manage his money after having relied on her to do this. The staff have organised a particular repayment cycle that helps him plan his budget needs; an arrangement that has lasted for 9 years. Just knowing that Moneyline is there is a comfort for this customer. These same users would recommend Moneyline to friends and family.

‘I did mention to 2 people ... I told her and she came and got a loan. Her daughter came and she got a loan and that’s it ...’

‘I would mention it if someone said to me I need a loan and don’t know what to do and can’t get one from the bank. I would say try here, give it a go’

‘I would recommend [it] to anyone’

Whilst acknowledging the benefits for individual customers there are mixed opinions amongst the Board and staff on whether or not Moneyline has had a positive impact on the wider local communities.

‘I don’t think we’re big enough. We haven’t done enough to see the bigger impact. And now we’re spreading wider I think it’s even less likely that we will have an impact that’s more than just the impact on individuals’

‘I wouldn’t say it was a community business in any way and we’ve never had the success of business loans that have done enough to establish businesses in any magnitude or any volume ... We’ve had a couple of success stories but it isn’t generating employment ...’

‘A lot of the loans we are seeing now are people who would otherwise be on the dole but they’ve got an idea ... they want to be a taxi driver or painter and decorator ...’

‘Yeah. Without question. Absolutely. ... Because I know how many it stops going to loan sharks and sub-prime lenders in the general community. ... It’s accessible and we do it the right way and if we can’t give people the money we will refer them for advice to other organisations that can help them in a different way ...’

‘I think we are a good asset in the area I really do ... because there is a lot of loan sharks in this area ... and they are just out to rob you ... you’ve asked for £500 and you are paying £1,000 back on it. You get a £500 loan off us and ... you pay £60 back on it. There is a big difference that puts a hole in people’s pockets ...’

5.4.3 The value of Moneyline as a community asset

There was certainly common agreement amongst those who regularly use its services that Moneyline is a community asset. Indeed, those interviewed agreed to meet solely because they wanted Moneyline to get some wider recognition. One business user has become more actively involved in the organisation; wanting to use his expertise to help streamline its procedures. In turn, active involvement has opened-up networking opportunities useful for his business. However, Moneyline is not viewed as a

community asset by a wider audience, far less that it generates a sense of community ownership. The likelihood of Moneyline inspiring such ownership is even less likely in its expanded coverage across Greater Manchester.

‘We’ve had people going back to 2000 ... who may have had up to 10 loans with us and yeah they do [see Moneyline as an asset] but they are in the minority as far as customers go’

‘They don’t realise it’s above board ... you don’t realise you can come in have a chat, have a talk, go through your expenditure, they don’t condemn you for coming in, they don’t look at you as though you’re nothing and I don’t think people realise that ...’

For the staff Moneyline is more than just a job.

‘It’s not just a job. I am proud to be part of it ... it’s more than that and I love meeting people and interacting ...’

‘It gave me the opportunity to go to people’s houses and sit down with them and find out what their problems were and we had various methods of overcoming the problem they still had even though we had lent them some money to get out of a hole’

‘I’ve helped quite a lot of people. And people in the area know me in the area for that and they’ve even turned up at my door and said ... can you help’

‘...it breaks my heart when somebody that I think is really genuine and it’s just not within their affordability and I think god is there anybody else I can send her to that can help here ...’

And through their work identify a sense of ‘camaraderie’.

‘They belong to Moneyline, they really do. We spend more time together than with our families so it has to be like that ... we do what we do together or it doesn’t work... there is obviously the odd thing that goes on between people but that’s in any office’

The staff have varied backgrounds and bring diverse experience and skills to the job. For example, the office manager is a former car salesman, one of the loans officers was an outreach worker for New Deal whilst another worked for a building society. All have added to their skills by working at Moneyline.

‘I’ve learnt masses ... I do my best. I wasn’t trained as an office manager, I wasn’t trained in IT or health and safety, marketing, anything, but they all come on top of you ...’

‘I’ve learnt a lot of things from here I really have. ... I’ve learnt about different people, to treat everybody the same who walks through the door no matter what colour, race, it doesn’t matter who they are; you treat them all the same. And I’ve learnt a lot from people, you know, different classes of people. I’ve learnt the running of the company ... I’m starting a course, customer service level 3 ... I’ve done level 2’

‘Yeah if somebody wants to do a course they can do it ... I’m doing a NVQ Level 3 in management because it’s appropriate to what I do and I’ve got to say it’s a real eye opener. I’ve learnt so much ... We haven’t

got many staff so taking time off is really really hard for everybody but if anybody wants to do something they can'

'I feel confident to do it [business loans] because I've sat in on interviews and ... I am interested in the interviews and how the interviews go on and I've learnt a lot from it. Like the different questions to ask and learning about the cash flow forecast and everything. It's quite interesting'

'I'm doing my CEMAP at the moment⁷, mortgage advice, so I've just got one more exam to do so hopefully when I pass I'll be doing the mortgage side and not [personal] loans anymore'

Board members would like to offer more in-house training but feel limited by the size and resources of the organisation.

'There is obviously some training when you get the job. There is some training to become a loan officer, to use the systems, policies and processes and that type of stuff. But apart from that, no we don't really offer anything else because we are quite a small organisation ...'

'I know there is some NVQs being funded and undertaken at the moment. ... I know the Board and I would like to give more support [for] training [but] that does come at a cost. While you're training you are not lending. So it's a fine balance'

The success of Moneyline can be measured in terms of the praise heaped on the staff by the customers interviewed.

'I've never had a cross work with any of the staff ... because there have been times over the years when things have come up and I've thought ... I can't afford that on that week so I've had to explain to them and they've been fine and helped me get through that'

'[The staff are] friendly, lovely ... asking for a loan didn't make me feel inadequate, it didn't make me feel bad, I didn't feel as though I was begging anything like that, it was fine'

'Yeah they don't look down on you. They go through everything. It's done in a nice way and it makes you feel fine what you're doing ...'

'... it's just they are friendly and easy to talk to and that what you discuss is private and they have become friends in a roundabout way ...'

'I have no loan now with them; it's all done. But if I ever needed [one][I would come here rather than go to a bank ... you can talk to them more, you can have a laugh ...'

'Moneyline is very honest and simple; it's family'

⁷ Paid for by Moneyline

6 THE ISSUE OF THE SURVIVAL OF THE INSTITUTION

6.1 THE CHALLENGE OF SUSTAINABILITY FOR A CIT

Moneyline began with a five-year plan that aimed to generate enough interest from loans to cover running costs. Unfortunately this aim has never been realised. Whilst just over £3 million of lending has been processed since 2000 Moneyline has never generated a surplus. Revenue funding from the DWP, the most recent public funding body,⁸ currently helps offset running costs but the remaining deficit has had to come from the capital pot. This obviously can't go on indefinitely. Also the DWP funding is soon to come to an end.

'I know that we will run out of money in about three years'

'... to carry on in the longer term we need more funds ... there is a kind of resignation now. I think it's going to come to an end at some point but let's do what we can whilst we still can'

As noted in the latest financial accounts (to December 2008):

'This last twelve months have proved to be a rather disappointing time in business terms. We started trading in Oldham and Rochdale at the beginning of the year but business there has been very slow. At the same time we have seen a slow down of activity in Salford. The net result is that we only made 722 personal loans (2007 – 816) totalling £358k (2007 - £603k) with more staff and more outlets. On the business front we decided to just operate on a reactive basis and concentrate in the main on new start up businesses. As a consequence wrote just 16 loans totalling £59k'

'The only external funding that is now available ... is the Growth Fund and that only runs to 2010. Our intention is to drive our business through the Housing Companies and look to them in 2010 for future funding'

'The level of problem debts continued to rise during 2008 and has now reached unacceptable levels. The staff have worked hard to improve lending decisions and we have seen fewer problems with the more recently agreed loans. However, our collection of delinquent loans remains poor and we are now addressing this issue as a matter of urgency'

6.1.1 Generating business in a low-demand market

The main, and persisting, problem has been the generation of a sufficient customer base, both personal and business. Key to the problem was the unexpected lack of demand in the home loans market. The five-year plan had expected housing loans to underpin and further extend business loan applications. Hence, despite specific funding from the Phoenix Fund to support businesses in this market it simply did not take-off. One other unexpected development was the levelling-off of personal loans. The plan had expected an approximate three-year turn-around on loans and yet most

⁸ From its 'growth fund' to enterprises working in designated 'red areas' of disadvantage

people met their repayments in much shorter time-frames. Thus the planned-for interest income simply didn't materialise.

'The money ... was coming back just as fast as we were giving it out so it didn't grow and that's been the problem ever since ... in other words the loans were for a shorter time than we envisaged'

'We just don't generate enough business. We haven't got enough loans out there. Loans are quite often [costly to process]. If you have a £300.00 loan payable over a year we might earn £30.00 interest and it would cost us £250.00 worth of staff time ... and that's the equation that's never quite stacked up'

A further, and deeply entrenched, problem has been the accumulation of debt; far bigger than anticipated.

'We come back to the same kind of equation every year that unless we can put out two or three times the volume of loans that we manage now and unless we can bring the bad debts down to virtually nothing then we will be making a loss and eating into the capital ... [that's] what we've been doing for certainly the last three years ...'

'The accounts in arrears probably account for 50-60% of our loans ... I always knew it would be hard because we are dealing with people on low incomes and the whole message has been if you can't afford £10.00 a month come and talk to us and we'll renegotiate it ... but we've got too many who are not paying'

'We are probably losing between £15-100,000 a year of bad debts'⁹

'We've got default across the portfolio of borrowers ... those who are on very strict incomes ... their [likelihood] to default would be greater than somebody who isn't. But we have businesses who go awry ...'

6.1.2 The fine line between fairness and toughness

Many reasons are given for the bad debt, in the main, lack of determination on the part of Moneyline to chase people with money problems, and, as a consequence, individuals taking advantage of this reluctance. And in some cases there will be people who always intended to default on their loans.

'There is only two reasons why people don't pay: one is they never intended to or two they can't. What we are finding is there are people who have been paying and they've stopped now. I don't know why ... it must be that word's got out'

'I think people in certain pockets found out about us and found how easy it was to get a loan from us ... when you get a group of people working together that want to drain you of some money they can and they do it to any organisation. But we are a local, honest, trusting organisation. Not as worldly wise then as we are now ...'

'We get things so far and nothing's been happening, it just stops, so people get the message that don't worry they'll chase us up and then they'll stop. ... the Director's have been screaming at us to take someone to Court and it's taken us until now to do it'

⁹ On a turnover of £400,000

‘I understand why a lot of people don’t pay it back. We’ve got a lot of transiency; a lot of people moving about. You’ve got your 25 year old unmarried man who’s got no ties in the world and when he comes in here and borrows £200 he could be in Brighton tomorrow. That’s our biggest problem ...’

‘... you find they usually do it in families. The father will get it, the sons will get it, the sisters will get it and all of a sudden none of them pay. And then it’s a job-and-a-half trying to get in touch with them and all that’

The scale of the debt problem has forced the Board to look to the courts for resolution. It is a policy that has long been avoided because none of the members feel comfortable bringing the attention of the law to people already in disadvantageous positions. However, the reversal of approach is felt necessary both financially and to help secure a much-needed reputation that default will no longer be tolerated.

‘We have just started taking people to court so maybe that will make people think more: oh Moneyline are taking people to court now. ... I think people will be more aware of us and that we are not going to be took the mickey out of’

The debt is mainly from personal loans despite the strict rules on credit-worthiness. The business loans tend to be of greater value and therefore more risky but there have been smaller numbers of applicants. However, despite the smaller numbers some of the debts accrued on the business side have been significant. The mounting debt on the personal side has forced staff to tighten-up the application process, which has meant an increased refusal rate. Staff have also been trained on chasing arrears. As well as contradicting an ethos of wanting to help those who find it difficult to access credit Board members are also concerned that such practice may impact negatively on staff.

‘It’s really difficult to get people to buy into [Moneyline] when the vast majority of one hour interviews that those loan officers do they end up saying no to people ... the money completely motivates people to help people and they find they can’t do that so I think that’s difficult ...’

‘... if they can’t come to us they will go onto the worst moneylenders. So we’ve got a conflict there. [Yet] we know if we lend to someone that we might not see the money back’

‘... you are stuck in the middle. You want to help people but we know it’s not a good business decision for Salford Moneyline. So I guess we refuse more than we ever used to’

Also, if you have refused a number of applications one after the other there is the danger that staff begin to question their ability to do the job. Some have then followed a string of refusals with a loan award ‘just in case it’s me’. Of course it is unlikely to be the staff’s fault but the questioning of their ability arising from a tightening of eligibility can, inadvertently, lead to more bad debtors being allowed through the system.

6.1.3 Challenging exclusion through fairness and local knowledge

There is an argument to be made that financial exclusion is partly a result of imperfect knowledge by lenders of borrowers’ circumstances. With banks closing local branches, outsourcing to remote call centre and with scoring tools increasing

replacing local financial knowledge, financial exclusion acquires a particular community connotation. In those communities without ready access to a bank, and unable to *prove* their creditworthiness, otherwise good debts are therefore refused credit and forced into informal credit markets. The argument could be made that Moneyline sought to correct that failure through using its own more detailed local knowledge, but the reality was that better local knowledge did not lead to necessarily better lending decisions.

Local knowledge has also been useful with regard to potential defrauding, with 'known' individuals being flagged and subsequently refused credit. However it is thought that even without local knowledge the systems now in place, added to experienced intuition, would guarantee a refusal for such people.

'I know for a fact that some of the people who have been declined would not have paid us back and the reason I know is because I know the people, but the loan officers didn't know the people but they used the tools they've got and their intuition and put them together and said no'

It would appear that the new system has worked to some degree. According to one member of staff:

'I've checked over four years of loans and last year virtually, touch wood, virtually everybody is paying us back. Yet if I look at loans from five years ago nobody is paying us back and they're still outstanding'

It was suggested that bad debt was an inherent feature of the Moneyline business model; its fundamental flaw. If lending to people with few resources then problems with repayments will ensue. And since the model is inherently sympathetic to its client base there is opposition to the imposition of very high interest payments or door-to-door selling and/or debt retrieval.

'... it's the Provincial that does the doorstep lending. We could become another one of them but at half the rate. Is that a good thing or not? You could argue if we are charging half the interest rates of Provincial and we send out loan officers out of this office and they knock on doors the business model could work that way. But I think it smacks too much of loan sharks, with slightly small teeth, rather than a more cuddly organisation ... I'm sure if we did do that we would find out loan officers got cornered in an alleyway somewhere and we would be out of business one way or another. Head to head with those sort of lenders we would be dead in the water'

Moneyline has also been negatively affected by the current low interest rates, both in terms of returns on loans and any additional revenue generated from any investments of their capital.

'It is invested. It's invested on treasury every month but the investment on treasury at the moment is 0.05% so if you had a million pounds you would have about £120 per month back on it'

Such low rates have not been off-set by increased demand for loans arising from the 'credit-crunch'.

'... you mention the credit crunch. I don't think that's made a difference ... I would have expected demand to go up massively and we haven't seen that ... In terms of personal loans we've seen no benefit at all ... whether there has been a reduction in people's unwillingness to take on new debt

of any sort I don't know. But you would have thought that would affect us less. Our business volumes are no better ... so I don't think the credit crunch has helped us in the slightest'

Likewise, Moneyline is in competition with a range of credit lending companies. In Salford precinct alone there are an additional 4 shops offering a range of financial services that are much easier to access than Moneyline.

'On the precinct we've got Cash Generators, PayDay cheques, we've got all sorts. And we're probably the hardest one to get money from because we've got a proper procedure ... people have to sit down with us, with their personal information, and tell us what's going on. It might put people off that they've got to tell us about that at their low point ... maybe they don't want to tell us all their information and the they can go into another shop and pay 20 times the interest but basically give them their name and address and walk out with the money'.

6.2 THE GROWING PAINS OF A CFI

6.2.1 Internal barriers to success

The Board has also identified a number of internal barriers to Moneyline's continued success. The organisation has had a range of staffing problems starting with one of the first chair's (see above) and a Manager who accepted a voluntary severance package.

'His remit was to look at business loans as well as to run the shop. He was okay at doing business loans, although there were some flaws ... He wasn't getting out and networking with people'

In 2002, observation of the office at work by a member of the Board highlighted the inadequacy of an office system in which skilled staff spent hours of their time doing administration and other office tasks, such as calculating phone bills, mending the printer, and paper-work, at the expense of time spent on the actual loan application and payment process. At the time the application process wasn't computerised and so everything had to be personally written-up and signed-off by another colleague.

Despite some resistance a more computerised system was introduced that would remove a lot of the previous paper work and thus free-up staff time to focus on the customer side of the business. For example, administrative elements of the loans application process has been outsourced to a company based in Birmingham. All the rates calculations are done on-screen, whilst reminder letters are sent out to customers automatically. However automation can't chase debt or create new customer demand. These vital elements of the business require proactive staff. According to the Board the current staff are not fulfilling this role.

'We have staff sat here doing nothing, waiting to do things and doing nothing when they could certainly do a lot more ... It's been up to Board members to kind of get up and that's been one of the struggles in that the Board wants things to happen but it doesn't happen unless the Board members get on and do it ...'

'There is a report coming to Board very soon on staffing, numbers, competencies, etc. because there is a complete lack of proactivity ... I think people make the job fill the day; [they] don't think, well, right, I've

got a couple of hours so I'll make some phone calls and chase some arrears and do that sort of stuff. It just doesn't happen'

As already noted the Board have always been 'hands-on' and are very willing to continue playing an active role in Moneyline. However, some members of the Board are concerned that they are having to step in and do work that they think is the responsibility of the staff, for example, liaising with resident and tenant groups in an attempt to reinvigorate relationships with these groups. Indeed, all of the Board members interviewed expressed concern with what was perceived as a lack of authoritative management.

'I think in fairness we have had a management problem until the last few months ... the people we've got are good but they haven't got the guile ... to worm their way into situations where they can generate business'

'We want and need somebody that is there every day that has more clout than the people we've got or ever going to have ... they haven't got management ability. We need to parachute somebody in but we have to pay for that. We would have to pay forty grand and we haven't got that, so we're making do with twenty five'

As a consequence discussions have been held with contacts in the East Lancs Moneyline about the sharing of a Chief Executive. Meanwhile, one of the Board members has been tasked with liaising with staff and reporting back to the Board on any further changes they could make to the running of the business that would address the problems of declining customer base, bad debt and staff working practices. In tandem he is looking to both find out why customer demand is so low and to make the service more visible amongst communities and relevant organisations.

'He's been getting out there and rolling his sleeves up and saying "what the hell's going on" ... he will get in there and get under the skin of people. I don't think we've been doing that enough. We've been expecting people to come to us rather than us going to them ...'

Some of this work has seen him go 'undercover' in pubs where other forms of money lending can take place.

'He was in a pub and had been in the pub an hour and he was offered £400.00 and 200 dodgy cigarettes because he was playing the right role ... Should we be going into the pubs and saying this is the service we can offer?'

He has already composed a number of recommendations which he presented to a full Board meeting in September¹⁰ The concerns raised by a number of Board members with existing staff attitudes' is one of the key areas examined.

'We have employed people in the past by their own qualification or by their own personality but I think, with respect, you can train anybody to become a loan officer. In the world of finance adding up 2 and 2 still makes 4. But you can't train people to talk to people ... [staff] must have those communication skills, interpersonal skills ...'

¹⁰ Confidential at the time of writing (September 2009)

6.2.2 Fitting a the project into the community setting

From the staff perspective it was suggested that Board members have a lack of understanding of the job. For example, the increased demand from the Board to actively chase up debt arrears doesn't fully appreciate how labour-intensive this can be. Being office based doesn't help, exacerbated by having a lack of staff able to go and knock on doors.

'I can have great ideas in terms of doing something ... but if you sat there and did it for a day you would understand if it was going to work or not'

'... unlike Provident or the sub-primary people like Provident who have got a row of people on the estate they can knock on each house ... ours are here there and everywhere. We are not collectors, it's why our rates are so low ... [yet] when people go non-responsive, which they do, the phone goes off, they don't answer letters, they don't talk to us, you have to go and knock on their door ...'

The Board have been very proactive in their attempts to respond to the above issues and thus a range of measures have aimed at expanding Moneyline's visibility and customer base and making the office work more efficiently. Thus, to help offset the lack of customers the Board has revisited the idea of housing loans. Subsequently, a member of the Board worked with Salford Council for almost four years trying to develop a housing loan portfolio. During this time he suggested that Moneyline act as an agent for the council; in effect to manage its equity mortgage scheme. This scheme is offered to tenants forced to relocate because their properties are being cleared and demolished. As part of the deal tenants are entitled to move into equivalent properties, which are obviously priced at greater value than those being demolished. The difference in value is funded by the local authority through loans, which Moneyline now administers. This work has resulted in the employment of an additional member of staff.

6.2.3 Transferring the concept, rescaling the idea

Since 2008 Moneyline has also extended from Salford to the Greater Manchester area in an attempt to increase its customer base. Likewise, Board members and the office manager have reinvigorated contacts with community groups, in particular housing associations, local authority housing departments and resident groups. As a consequence Moneyline has developed out-reach offices in Oldham and Rochdale, based in the premises of local housing associations.

Moneyline staff have provided training to housing officers in Trafford and installed their systems in the respective offices, which, effectively act as the face of Moneyline in a range of local communities. The staff thus make loan appraisals on behalf of Moneyline and then refer any potential customers to the main office in Salford. If this model works the aim is to have a contract with the 30 to 40 housing associations covering Greater Manchester. Rochdale Borough Housing has also agreed to place a link on their web-pages to the Moneyline web-site, which, in effect, links Moneyline to around 14,000 tenants.

However, there has to be active buy-in to the idea of Moneyline by the housing managers and officers concerned and then for those officers to actively promote

Moneyline to their tenants. Hence a lot of work is going into raising awareness of Moneyline amongst groups of housing association staff and residents groups. However, persuading the necessary buy-in has proven difficult.

‘... we are really well known amongst the people who matter but if they don’t want to tell the people who borrow money it’s a bit pointless. It’s one of the problems we have had over the last 5 years. Everybody at the top knows about us but the people at the bottom don’t’

‘... people don’t want extra work because people see promoting us as extra work, I know that for a fact ...[and] although it’s not a lot of work, you are asking people to do something more than their job’

‘... sometimes ... the actual landlords will put incentives on for the housing officers to do introductions which is great; a bottle of wine or 50 quid here and there. But you have to incentivise people to talk about it or why would they?’

This work has also produced initiatives being agreed with Salford and Trafford City Councils in which Moneyline is paid a fee to arrange loans with people who are about to be made homeless, from either rented or mortgaged properties.

More recently an additional service, Budgetline, has been offered to customers. This service, for an administration fee of £15.00, offers to manage the payment of all bills on a monthly basis. Customers therefore have to allocate a certain amount of money to Moneyline per month to cover the bills. However, take-up has been very low as people have been unwilling to pass-on such responsibility to outsiders.

‘It’s putting somebody else in charge of their money and a lot of people are quite proud and they want to look after their own money’

A new marketing strategy has also been developed in an attempt to advertise and raise awareness of Moneyline amongst wider audiences. This has included the development of a web-site and more direct mailing of relevant organisations, in particular housing associations, as well as mail drops in specific postcode areas. They have invested in advertising in local newspapers and radio as well as producing a series of leaflets outlining the range of specific services. They have also refurbished the shop front.

Yet despite these initiatives the numbers of people approaching the office for loans continues to fall.

‘One of our great disappointments [is] ... we don’t think it’s widely known as it should be, even though it’s [in] ... a great location; and we don’t know why is the honest answer. ... It’s certainly not used as well as it should be ...’

‘Some of the work Phil has been doing recently [shows that] only 5% of people in Salford have the slightest clue who you are. We’ve been going for ten years. Why is that? What have we done wrong?’

‘... branding Moneyline [as] Greater Manchester ... in theory the amount of business should have grown four or five times to what it was four or five years ago. It hasn’t’

‘We have been spending the last six months really stepping up our marketing efforts to get people to come here rather than go to the door stop lenders and the like who don’t seem to be struggling to get people to get money from them’

‘... we’ve got some very good marketing literature I think. Some of it is very good but it doesn’t seem to be getting through’

‘We’ve spent a lot of money on the frontage to the shop ... and it doesn’t seem to have made much difference. The troop of people through the shop is negligible ... we’re just treading water’

‘At the end of the Precinct there is a cheque cashing service and there are always people in there. So the question is should we ... when people are getting near to the end of the loan [be] ringing up and saying do you want another one? ... Is that a good thing; is that a bad thing? It’s a thing you should do from a marketing point of view but should you be encouraging people to take on extra debt which they possibly but probably don’t need? ... It’s a catch 22 ...’

Leaving the last word to one of the active Board members:

‘It has the potential to be a fantastic business ... the issue we have now is certain things have to happen for us to work ... whether we invest more in marketing, or we get more loans or we alter the Board structure or we alter the staffing structure or we work in different areas. But what we offer is some cracking products. I don’t think there is anybody else around who has products like ourselves. Basically you can design your own product, we will give you the money ... if you want to pay us in chunks you can pay us in chunks ... you would not get that flexibility from the bank or the loan firms that are out there ... you can have what you want as long as you pay us back’

7 ISSUES RAISED

As a university-community initiative Moneyline has succeeded in developing into a stand-alone business with both a community-oriented focus and relevant community/public agency support. It has identified a niche market of need in terms of financial inclusion and has provided clear benefits for both its personal and business customers. The Board and staff are committed to the Moneyline ethos and view what they do as more than just a responsibility and job respectively. Arguably a community of practice can be identified amongst its participants in terms of shared goals, identity and socialised learning. However, Moneyline is a business and not simply a community project. And as a business Moneyline is not performing as required to generate a surplus. There are several reasons given for its under-performance (see above). Some are common to business, such as low customer base, bad debt and working practices, whilst others are common to voluntary sector organisations, such as sustainability of funding, active community/public agency participation, intra-cultural relations and working practices. Certain members of the Board are working hard to confront these problems and have already initiated a range of measures (see above) aimed at both raising the visibility of Moneyline amongst potential customers and community organisations (in the main housing associations) and curtailing its debt. They have also introduced new working practices aimed at both improving administrative systems and extending staff expertise and responsibilities. At the time of writing these changes are impacting on Board/staff relations with the trust required between members of a community of practice being threatened.

Despite its current problems Moneyline has huge potential if it can extend its customer base. On the plus side the Board are serious about its survival and there is a critical mass of active participants able and willing to develop and implement a strategy of what is identified as necessary change across the organisation. Success will rely on the greater active participation of a wider number of Board members and staff buy-in. It will also require increased resources. Specific Board members are currently attempting to identify and apply for relevant grants as well as the extension of a portfolio of services. However, if the measures being introduced don't reverse the problems identified the general feeling amongst the Board is that Moneyline will be forced to close in a few years time.

Specific issues raised by the Moneyline initiative include:

7.1 UNIVERSITY-COMMUNITY RELATIONS

The CIT model was not only a university initiative but its success was dependent on the university name and involvement. It was suggested that without the name of the university the banks, government and housing associations would not have entertained the CIT idea. The university name represented expertise and trust and therefore encouraged people to initially get involved and then once involved to take seriously whatever demands were made of them. The vast majority of community groups and local authorities were also keen to be involved with the university. There were some exceptions, but in anticipation of some opposition the team were fairly relaxed at retaining opportunities for all relevant groups to get involved but focusing on working with those groups who wanted to work with them.

I think it's always hard working with communities ... they do things that sometimes ... drive you up the wall ... you have to be very relaxed about your ideas being taken by others and used ... you have to accept that is going to happen and in the best cases you get some sort of joint things but in reality you are not going to get that all the time. You can't be precious about your ideas, which of course makes it interesting when you want to then publish and research because someone has already used the idea. Sometimes they take things in directions that make you think I'm not sure that's really where we want to go with this but if you really want them to run it [Moneyline] then you have to allow that to happen. You have to learn to let go, which isn't always easy'

The project has certainly helped change community opinion about universities in general and the University of Salford in particular. Events inclusive of community representatives are well attended, the most recent¹¹ being a conference, *Smart City Futures*, at which the university awarded start-up prizes of around £1,000 to the top 4 community projects. In turn, engagement with the project has taught the academics the valuable lesson of listening.

'When a professor meets someone from the outside world they start talking immediately ... [assuming] they have the answer ... but the answer really is listening and then matching the problem with [the right] people ... creating teams that are worthy of working with the community ...'

However some Board members think the university should still be supporting Moneyline, especially if celebrating it as a successful community initiative.

'It's interesting that the university have put us forward as a flagship project because if you ask me what the input of the university's been since my time on the Board I would have said none. They must have been involved in the start but since then ... it's difficult to understand what the university's putting into it'

'If they are our flagship I would like some more support thank you ...'

Although there appeared to be a distinction made between the university as an institution and individual members of staff, whose input had been appreciated.

'I just couldn't work out what they [the university] were playing at and why should they get involved and what's in it for them. I have quite a dim view of universities; the amount of money they use ... I find it quite frightening when [they] talk about poverty and exclusion ... so I was really sceptical at first ... and then they mentioned two words to me, academic enterprise, in the same sentence and I've never ever view academics as enterprise to be honest with you so I was quite interested ...'

'How many universities or university decision-makers have been financially excluded? [How many] people doing projects understand financial solutions first hand?'

'James Powell ... was in the inaugural chair and I think what James did he brought everyone to the same level. He managed to set things out so everyone was on the same level. I think he did quite a good job of that'

¹¹ At the time of the interview in July 2009

‘I quite warmed to Jimmy P. I think his heart was in the right place. He probably had too many things to do but I’ve always had a lot of time for James’

Whilst a number of Board members and staff were aware of an initial link with Salford University most had no idea of its involvement. The business and personal users interviewed were likewise unaware of any connection with the university.

‘The only knowledge I have of the university [was] during the initial process [when] I was told one of the members of the Board was from the university ... but apart from that none whatsoever ...’

Some could understand the notion of empowerment, whilst others were critical of the ‘hands-off’ stance.

‘I don’t think the university has the slightest bit of interest in small businesses ... if you’re a small business they’ve got better things to do’

Some Board members suggested that they should be revising their links with the University; that it’s a shame, given the history between Moneyline and the university, that co-operation between the two has receded. For example, Moneyline could offer placements to students or provide a source of research. One of the staff still has contact with the university through membership of the Salford Financial Inclusion Steering Group. He has supplied a range of contacts through Moneyline for particular university projects. Moneyline is also approached on a regular basis by other university researchers interested in the initiative. The lack of feed-back or organisational benefit arising from such research was a moot point. Likewise, shouldn’t there be incentives for those giving up their time for the benefit of university research?

‘You need Argos vouchers or something. That’s one thing about Salford University. When they want stuff done they always stump-up vouchers so we can bribe people for information’

The success of the project helped to shift thinking within the university about engagement practice. Over a period of years the team raised the profile of engagement with communities as social benefit alongside the traditional thinking of engagement as a commercial enterprise.

‘I wouldn’t say it was the direct reason the university broadened its thinking, that would be naïve and rather egotistical, but I do think it was one of the factors that broadened out the university’s definition of academic enterprise’

There is currently a large staff buy-in to community engagement across the social sciences faculty, with around one-third working with community groups on a variety of initiatives. For some staff the motivation is research income and publications but for many it is a commitment to working with and on behalf of local communities.

‘If you do it properly it sucks you in and you do far more than you would have done if you just wanted to write research projects ... all the projects I’ve seen people are really engaged ... they are interested in the lives of the people they work with genuinely ... invariably they talk to me about the impact they are having rather than the papers they are writing’

Despite a growing language of engagement across the university disadvantages remain for staff pursuing work with communities.

‘Of course there are disadvantages, not least of which the university sector still doesn’t see it as proper research. It would like to pretend that it gives it the same value but it doesn’t; a paper in a journal is worth more to an academic’s career. So, many academics ask if this [community engagement] is going to help my career and make a rational choice that probably not and so will not get involved. ... I think there is a gap between what academics actually say ... what the academic community says it does and what the academic community actually does. That’s for all of us academics to deal with really.

Confusion amongst current Board members of the role of the university in setting-up Moneyline. For some there is a degree of resentment at the lack of current input into the organisation.

7.2 COMMUNITY INITIATIVE AS A BUSINESS

Whilst a community initiative, and wanting a degree of community input and ownership, Moneyline is also a business and therefore a degree of professionalism and skilled knowledge is necessary.

‘Perhaps you could say when we set off we treated it as a project rather than a business, so perhaps that’s our fault as a Board. But now this isn’t a project, it’s a business ...’

‘We are community based and we deliver locally but community business may not be the proper description. I would like to think we listen to communities and I certainly attend a lot of tenants and residents meetings and business forums, so we do listen. But it is a two-way street and unfortunately lending money isn’t quite as sexy as other things’

‘We could be a fantastic community business now and bankrupt in a year if we gave everybody what they wanted. There is public funds that we are stewards of I guess and we have to try and get the most out of it. So we will no doubt turn loads down that tick lots of boxes in terms of community benefit but ... we have to be a business first and foremost ...’

Over time the professional has outweighed the community input. It was noted that some community representatives found it difficult to participate at Board meetings.

‘One of the ladies we had from the community really struggled at Board meetings. She didn’t really understand what was going on and in the end she left. ... She felt it was all over the head ... which was odd really because she was quite an astute lady’

‘I know most of our Directors don’t understand the money. There are probably three that understand ... the rest of them never ask any questions ...’

There is now only 1 local resident represented on the Board. Arguably this person is atypical in that he has a long history of activism and is used to and very comfortable with organisational participation. He has been a previous Chair and is currently a very active member of the Board. The lack of community representation was mentioned by a number of Board members, although there is housing association representation.

From a business perspective Moneyline may not be sufficiently business-like. It was suggested by one of the business users, and now actively involved in developing the

office systems, that if Moneyline aims to be more business-focused it has to get its marketing right, including its web-site. Despite attempts at improving their publicity this one business user thought there was still a lot of work to be done before convincing potential business customers that Moneyline was a viable resource.

‘... if I was doing their web-site ... I would have a who’s who; and the Board members would be important because as a business you want to know who’s going to be looking after my business plan ... when you’re asking for those sums of money people expect you to do your prep work. Whereas here I have no clue to who the Board is ... now whether that’s a deliberate policy or whether it’s just nobody’s got round to doing it I don’t know’

‘I’m not aware of what they’re trying to do; to grow micro-businesses or whether they are into small businesses ... what are they trying to do? Are they going to take £50,000 and spread it over 10 businesses of £5,000 each to try and get ten businesses to grow or are they going to put that into 2 medium-sized businesses or 1 bigger business? What is their remit? I don’t know [and] can’t tell from anything I’ve ever seen or read’

The same user raised the problem of wider business support and the need for a one-stop-shop of business expertise. He acknowledged the role of Business Links but argued that they were limited in their provision. He suggested Moneyline could extend its service to a more holistic site of support for businesses.

‘Where can I just drop into somebody to say I’ve just drawn up new terms of a contract ... can you just check that through. ... I can go to a local solicitor who would probably charge me £500.00 ... I [might] need a marketing person tomorrow, I might need a legal person today, I might need somebody who can look into my accounts ... you want to make sure what you’re doing is right. Who is there? ... This is where the university could come in; a huge amount of this resource is available at the university, they’ve got all the expertise that I need. ... If you could produce a conduit from here to there that really would get university involvement to small business directly but it doesn’t happen and that is a real shame because there is a vast pool of resource there and there is a great need out there ... That’s why I think small businesses in the UK suffer tremendously from lack of available ... free expertise and you could give me all the cash you want but what would I do? I’d have to go and buy that resource ... you’re giving me money which I will then spend on third parties to give me marketing advice, financial advice, legal advice ... I don’t need money I need access to these people’

Although he also agreed that the current business focus would feel comfortable with the current set-up. The problem would be if Moneyline wanted to expand to different types of businesses.

‘... if you’re a small business you probably would be quite comfortable dealing with a company like this who has a warm fuzzy feeling and is not a big glossy building. Some people would feel intimidated going into Price Waterhouse to have a discussion ... So in that way the people they are pitching to, currently small micro-businesses, would probably feel quite happy in this environment’

Throughout Moneyline's development the negotiation of organisational and personal relations between the many different partners has often proved difficult; between the university and non-academics; between community representatives and the local authority; between business representatives and community volunteers on the Board.

7.3 RELIANCE ON INDIVIDUALS

Moneyline has relied on specific individuals for its conception, maintenance and now future survival. In the past Bob Patterson, Karl Dyson and James Powell were essential to securing governmental, legal and political support as well as university sanction. They were equally essential to winning the support of relevant community groups. Every single person interviewed mentioned the key role played by Steve Unstead (the Barclays secondee). Not only in terms of the practical setting-up of Moneyline but his ability to bring people on board, even those sceptical of either the idea or the fact that he was linked to Barclays Bank. His continued commitment to Moneyline is obvious and highlighted by all interviewed, Board members and staff.

'If anyone made it happen it was Steve and if anybody makes this organisation carry on without falling down it's Steve. He puts in a huge amount of time, both paid and unpaid, and I'm not sure the balance is quite right ... if [he] was able to work here 5 days a week we would solve most of the problems fairly quickly but he isn't and doesn't want that day to day load ...'

'I think he was genuinely interested in trying to create something that could possibly do things that banks didn't want to do or couldn't do ...'

Additional Board members are now essential to the continued survival of Moneyline. Whilst committed to this survival there is a feeling amongst the Board that if they and the staff don't pull together to increase the customer base, including the embedding of Moneyline into the work of housing associations and minds of housing officers, then it will fail.

7.4 COMMUNITY LOCATION

The fact that a number of the loans officers live locally can be both an advantage and disadvantage. An advantage because the staff are familiar with the area, its concerns and problems and as a consequence are seen as more approachable by those who use the service. A disadvantage because some potential customers are reluctant to borrow from people they know, especially since it means admitting need as well as having to divulge information on income and expenditure.

'I've had friends who have come in and I've had to turn them away ... They have walked out and I have thought that's my friend but you've got to have an unbiased look on it; like with everybody who comes in the door'

'... you get a lot of people who say I'm not going in there you know because [they] know me. But I always reassure them when they come in the door anything that goes on in this office stays in this office, within these four walls, it's totally confidential ... and they sort of say alright then we will talk to you. It takes a lot of bottle for some people to come in'

From one of the personal lender's perspectives the accessibility of the office being local is outweighed by a dread that her neighbours will see her going into Moneyline.

'Because where I live now ... I would prefer it if none of my neighbours saw me walking in'

The same person would not feel the same stigma if walking into a mainstream bank. The impression is that people only use something like Moneyline if desperate for money after having been refused elsewhere or knowing that no other lender would consider your application. Arguably the same stigma underpins the success of those lenders who door knock.

Conversely, another personal lender had no such concerns.

'I don't care what people think; that's my business ...'

One member of staff known in the area has been approached by another local moneylender asking for information about potential customers.

'... we were approached by a fella that said it we could get hold of the database of the people who had been turned away he would give us a fiver for each customer. I said no; you can stick that where the sun don't shine. You don't do that for the company you are working for ...'

7.5 SUSTAINABILITY

Interestingly in the interviews with the Board members the emphasis was on business survival; with the staff it was on helping people in need. Perhaps these differences in emphasis reflect their respective roles: the Board to manage; the staff to help people access credit for basic needs. It is likely that a move towards business loans will impact on the latter. Both sets of users praised the respective staff: business lenders the Board; personal lenders the loans officers. As perhaps expected both sets of users were congratulatory of different characteristics: professionalism for the business users; friendliness for the personal users. Yet both types of lender appreciated the obvious expertise of the respective staff. There is perhaps a danger that the approachability raised by the personal lenders in particular could be threatened if the staff are being asked to increase their workload, including spending more time chasing up debt arrears and taking responsibility for business applications.

Arguably the clash that seems to be developing between the Board and staff is due to the changing roles demanded of the latter by the former. The Board are clear that without change to both systems and staff tasks, with a focus on increasing the customer base and retrieving arrears, Moneyline will be forced to close once the capital pot has run out; approximately 4 years at current income/expenditure ratios. All those interviewed from the Board claim that the severity of Moneyline's problems has been pointed out to the staff and yet there has been no difference in their approach and attitude to the job. Indeed, there has been active resistance to the procedures more recently introduced to help tackle the declining business.

But the clash also seems to reflect a history of management problems, beginning with the first office manager, and a degree of indecision on part of the Board with regard to staffing decisions. The Board is effectively the employer and yet its members find it difficult to make decisions that could in effect make people redundant. They also face the same problem familiar to any organisation working in the voluntary-community

sector: inadequate resources; in this case preventing the employment of an experienced Chief Executive.

‘We spent 3 years faffing about with the previous manager whether he could do it, whether he couldn’t, whether to change his role, whether to get rid of him, whether to not. We eventually got rid of him and spent another year faffing around deciding what we would do to replace him ...’

‘We never followed through. We should have sacked most of them ... we are just soft and have been since day one ... it’s the Board’s responsibility to make sure things are happening ... we just haven’t ever really got it right and I don’t know why’

‘We’ve needed a figure-head for the organisation ... we either need to pay to get a decent supervisor to really get people to be doing what they should be doing, plus doing some serious work themselves and we’ve just never found the right person ...’

There also appears to be a lack of direct communication between the Board and staff over and above the office manager, a position he finds difficult to manage.

‘I think in any company there is they both have their own ideas how to do it ... the Board members ... look at something from the outside or have heard about something but [are] not actually doing it [the job] ... the staff can’t quite get to grips with how the Board come to certain decisions ... yeah I’ve got a permanent headache ...’

‘Everybody is lovely ... [but] their aims are slightly different. The staff want to do a job and get paid for it and be appreciated for it. And if they’re not appreciated for it, and by appreciation I mean give me bonuses or more money, they are then disgruntled. The Board on the other hand is the exact opposite ... they want to do things the right way for the community, because that’s what it’s set up to do, for the least possible money... and sometime the two just don’t meet because what they think should be done and what can be done just don’t mesh’

All of the Board members and staff expressed commitment to the ethos and objectives of Moneyline.

‘I got made redundant and I thought for once in my life it would be nice to do something that was socially responsible. So I looked around for a couple of weeks and this job presented itself’

‘It’s purely because it’s something I like doing and did take an interest in and it’s right for the community’

‘What attracted me was it’s a small business [and] the Board of Directors are all voluntary, which surprised me. To have a Board of Directors and no shareholders that take money out of the company and everything that is done ... is done on behalf of the local community ...’

However, the more recent changes and what they perceive as persistent demands by the Board to increase their workload are undermining once strong feelings of belonging.

It was pointed out that the Board is overwhelmingly male, white and middle-class and as such ‘it couldn’t be less representative’ of the communities they aim to support. The number of local people now represented on the Board has fallen to one.

‘We asked the question is it an issue having community representation on the Board and I would say yes it is and no it isn’t. It all depends on what representation you mean. I would quite like more people involved in the community part of the lending ... When we originally set up ... [the idea] was [it] would be wholly controlled and run by local residents ... but I don’t think any CDFI’s¹² have managed to achieve that. It becomes very difficult and you are asking people to do things while they are doing something else ...’

In comparison, the staff are balanced in terms of gender, tend to live locally and are more representative of their host communities in terms of background and experience.

‘I live in Salford, I work in Salford and obviously I know an awful lot of Salford people’

‘.... all of our loan officers are local people and they understand their problems and they know most of their families ...’

‘People relate me with Moneyline now and I’ve had people approach me in the street: do you work for that money shop in the precinct? And I say which one? We are the good one. We aren’t the baddies. We are the non-profit-making one. So word gets about. People come up and ask’

Problems identified include the retention of active Board members; disproportionate reliance on a minority of individuals; staff/management relationships within the VCS; constant search for funding and resources; inadequate capacity/management of capacity.

‘The trouble with all these things is the money runs out before you become self-sufficient and then it’s just a nightmare, an absolute nightmare. Then it’s no longer flavour of the month and when you’re not flavour of the month ...’

‘It’s not like a university. If someone’s not there for a day it doesn’t really matter. But ... we had a loan officer she ran in sick the last couple of days and that’s a massive impact to us ... if you have someone on leave, which we have at the moment, and someone rings in sick the equilibrium is wobbly ...’

7.6 CONTRADICTIONS

Between making loans accessible to those currently disenfranchised from mainstream finance and encouraging debt

‘We don’t want to put people into more debt we want to get them out of debt and give them a bit of financial education and literacy, whatever you want to call it’

Between aiming to be accessible as an alternative lender and having to be intrusive to help offset debt. Moneyline may seek a similar community ownership to credit unions, for example, but the relationship between customer and staff is different. Since people are not borrowing from a pot that they themselves have contributed to customers and staff, are strangers. This relationship contributes to the lack of trust

¹² Community Development Financial Institutions

that can exist on both sides. It certainly accounts for the more intrusive questioning by Moneyline staff.

‘ ... we don’t know who the hell they are, They’ve told us exactly what they want us to know and we’ve made a decision based upon what they’ve just told us and it could be absolutely fictitious ... ’

Between the praise from those who regularly use Moneyline and the lack of interest amongst the wider communities of Greater Manchester, especially in Salford, Oldham and Rochdale where there is office-front presence. The majority of those business and personal customers interviewed fit the criteria of economic and/or social disadvantage. Without exception they are grateful to Moneyline, with the benefits identified ranging from the provision of a financial net to budgeting support to overall well-being as the worry of having no access to necessary credit at good rates of return has been lifted.

8 MONEYLINE AS A COMMUNITY LEARNING PROJECT

Our research has not been able to probe into the community learning underpinning the original project research to any great degree, but we take it as read that there was a degree of community involvement and interaction behind the idea to continue into the project phase. This research complements the research in working paper 3, which follows the growing life of four learning communities around an arts project in which the university was able to act as a learning space for these communities developing social capital. In this research, we have focused on the issues of upscaling, how the idea has grown beyond the university, and how the parties have dealt with the divergence of interests and issues as an interesting idea wrestles with the parallel needs of establishing general conditions for its success, along with the need to be implemented in particular excluded communities.

The value of the Moneyline case lies in helping to answer the question of why should universities work with excluded communities, and in so working how are they not supplying services that could or should better be provided by government or market providers. The answer lies in the fact that there is an opportunity in university co-learning (here largely assumed, but demonstrated in WP3) to create innovations which can be upscaled, become social institutions and thereby change the political-economy more generally, reducing exclusion of the most vulnerable groups. Whilst we would not claim that the amended Industrial Provident Society has created a new social institution, clearly there has been some upscaling and progression beyond the university, and in this final chapter we sketch out some of the contours of this process, and how it fits more generally with arguments about how community engagement can fit with ideas of excellence in the university setting.

8.1 MONEYLINE: A PIECE OF COMMUNITY RESEARCH AND KNOWLEDGE TRANSFER

In this working paper, we see Moneyline as a remarkable example of a highly successful community innovation. Its passage from the university into the outside world has not run smoothly, and just as with many social innovations, there are questions over the project's longer term sustainability. However, we would make a claim that the mechanism demonstrated by Moneyline, in which a piece of research created a community innovation, has more general applicability particularly in the context of mechanisms identified elsewhere in the other working papers. One element of the mechanism is the scale of change that has been delivered on the basis of a single piece of knowledge transfer. Of course, the role of the university has not purely been as a source of knowledge, but as the research makes clear, as a vocal supporter for the expansion and growth of the idea. But this has come at the same time that the university has been able to walk away from the idea and leave the concept as a new social enterprise.

The roles played by the university after the original piece of research – in the knowledge exchange and transfer - are worth elucidating. There was firstly a role played as a trusted (creditworthy) point of contact with the banks, bringing the lenders on board to a project that they might have otherwise avoided, the role of the institution. Secondly, a senior manager acted as a strong supporter for the project, in

particular during the transition phase when the project was running through a steering group. Thirdly, the academic corresponded with the government in the form of the Treasury and the FAS to get a piece of legislation clarified that created an institutional space in which the CITs could actually operate. Finally, the university also housed the secretariat for the CITs when the secondees from the banks actually making the projects work found they could not easily locate within the local authority.

The university described this as “promote and float”, and indeed the breaking up from the CITs has proven in at least one case as hard to manage. The core of this promote and float was aligning interests at different conceptual and organisational levels of the university behind a common idea, and pushing that idea down a ‘pipeline’ into society. In that sense, it does not appear that different from traditional knowledge transfer models, where technologies and patents are placed into the market place, and occasionally can be enormously successful in growing, but often are not. This raises the possibility that universities could impact on social exclusion by social innovations which are then taken up more generally and help address the processes of exclusion which affect these communities.

8.2 DEMONSTRATING, UPSCALING AND EMBEDDING OF ONE-OFF PROJECTS

The strength of the Moneyline case appears to have been this wider process of demonstrating the value of the Community Investment Trust approach. In the original research funded by Leverhulme, the funders would have been satisfied with a successful completion of the research in terms of a final report. What followed that final report was to create a new organisational form, the Community Investment Trust, and then to establish a working example of that, and then to create many working examples of it, that is to demonstrate the replicability of the idea as a solution to social exclusion.

A stylised version of the life of the idea was that it started with an individual in Portsmouth who wished to tackle a particular problem, and worked with the university to develop an idea for a solution. The idea appeared plausible, so they enrolled potential, supporters including the university, but also banks and community investors in the form of local authorities. They established a number of trading arms, which have more or less succeeded, with one example, and then spun-out those activities from the university. The idea of CITs have grown and become a feature on the financial landscape. As the website of the Community Development Finance Association notes

The following figures are taken from **cdfa**’s industry-wide survey, *Inside Out 2009*:

- CDFIs lent a record £113m in 2009, up 50% from the previous year
- the value of CDFI loan applications rose to £360m in 2009 (from £160m in 2008)
- they created and sustained around 10,000 jobs in 2009, and around 96,000 jobs cumulatively
- the CDFI loan portfolio stands at £394m

<http://www.cdfa.org.uk/cmframe.php?prmid=1200>

It is not reasonable to claim that Moneyline is the originator of the idea of the CIT, because the ideas around social investment emerged in the late 1990s in the Social

Investment Taskforce. Moneyline is a member of cdfa, and was indeed a founder member of the Association, and it is possible to see that Moneyline as an innovation has contributed to the emergence of a substantial financial innovation which has in some way addressed financial exclusion.

There is a general problem with social innovation in that there is remarkably little real innovation, and there is a tendency to focus on attempting to implement existing solutions in new contexts. The Moneyline example was a case in which an entirely new solution was developed, and how the academic idea was translated to the 'real world'. A remarkable role was played in the story by the secondees from the banking sector who were able to make the idea work in practice, although facing considerable pressures and tensions from the funders. They played the role of entrepreneur in this process of spinning out the idea from the university and establishing it in the context of excluded communities. It is likewise noteworthy that those individuals did not come themselves from an excluded community background, but rather that they understood how to make a financial innovation work.

The success has been part of the positioning of the researcher as an expert in the field of community finance, and subsequently he has become an interlocutor and evaluator of community financial development. The researcher has done a number of evaluations of community financial development institutions, and been in the development of other new community finance products in terms of community land trusts and new insurance products. There has been a subsequent knowledge transfer project funded by the UK Technology Strategy board, and therefore the success of the ideas of community finance and the work of the researcher have been important in placing the idea on a number of agendas which have helped to upscale the notion. The researcher has also been involved in the UR-MAD programme, and has helped to configure something which interviewees in the first phase felt was a top-down university centred programme as something closer to community interests.

8.3 MONEYLINE AS A PIECE IN A WIDER JIGSAW: A REVOLUTION IN SOCIAL INNOVATION?

In this working paper, the fundamental claim we want to make for the value of Moneyline is it addresses the question of how can a university provide a community service through engagement. Moneyline provides a great example of how that can be achieved within a university context, as well as helping to make clear the boundary conditions for what is successful. At the heart of the issue is community involvement, and creating something that is valued by a community, that specifically addresses their social exclusion. At the start of this project, we were interested to see how universities and these communities co-learned to create knowledge more applicable to their needs, and there have been examples of where that has been done, reported in other working papers.

What this points to is the fact that universities can help communities challenge their exclusion not only through changing those communities' structural position within local political-economies, but by addressing the exclusionary processes identified in 2.2.1. There are grounds to stake a claim that the impacts on reducing financial exclusion that have come out of Moneyline are out of all proportion to the university contribution had the university been acting purely as a community bank. What they have done is mobilise and realise a scalable concept that has in turn spread out into society. There remain problems with the spread of the concept, and in particular the

apparent irrationality of excluded borrowers in preferring anonymous usury to commercial lending requiring full and embarrassing disclosures. But that should not detract from the scope of what has been achieved in comparison to the inputs made to the process, a process to which the university has provided active stimulation and support.

This example is suggesting of the role for universities in social innovation, in creating new ideas that can go on to achieve success. The role is primarily at the start of the process, applying knowledge to come up with concepts which have a chance of success, and supporting the early stages of the innovation journey, withdrawing as the idea approaches implementation. The university clearly plays multiple roles in the process, as identified in 8.1 above, and different people within the university also play different roles. There remains questions about how to allow for these roles to be effectively played within the university, at the same time as what we also know about community learning activities, in that they function most effectively when they are as loosely coupled to the university as possible.

This hints to an interesting trajectory for social innovations around universities, based around a series of phases. In the first phase, individuals develop ideas in concert with communities that appear to have a wider salience elsewhere but require the assembly of coalitions where the university cannot play a leading role. In the second phase, the university temporarily takes the idea to its heart, and builds support within a coalition for the idea that the knowledge should be exploited in society. In the third phase, the university oversees and hands over an up-scaling (or withering) of the idea, and builds a narrative of how the university is delivering grand social benefits. In the final phase, the idea is freed, and the individual academic once more moves to other research projects, whilst still retaining links back to the original community.

We stress that this is a synthetic ideal type model on the basis of our three case studies, and also drawing on the Liverpool Hope University example and the first phase research, there are clear lessons to be learned in how to manage universities to allow these processes to best happen. More research is required to understand how to identify projects that have community benefit, then once those projects are upscaled, enrolment of partners – and critically their resources – determines ultimately what can be achieved. But on the basis of the Moneyline case study, this suggests that the social innovations that emerge from universities studying excluded communities and the processes which drive their problems can have an opportunity to change society as profoundly as the much more lauder technological innovations emerging from universities.

9 OTHER PROJECT OUTPUTS

9.1 RESEARCH PAPERS

Benneworth, P. S., Charles, D. R. & Madnipour, A. (2010) “Universities as agents of urban change in the global knowledge economy” *European Planning Studies* (forthcoming).

Benneworth, P. & Jongbloed, B.W.A (2009) “Who matters to universities? A stakeholder perspective on humanities, arts and social sciences valorisation” *Higher Education* DOI 10.1007/s10734-009-9265-2

Benneworth, P. & Sanderson, A. (2009) “Building institutional capacity for HEI regional engagement in a sparse innovation environment: a case study of Knowledge House” *Higher Education Management and Policy*, March 2009.

9.2 CONFERENCE PAPERS & PRESENTATIONS

Benneworth, P. S., Charles, D. R. & Humphrey, L. (2007) “Universities and excluded communities” *Paper presented to ESRC “Regional economic impacts of Universities” programme launch*, Strathclyde University, Glasgow, 10th October 2007.

Benneworth, P. Humphrey, L., Charles, D. R.; & Hodgson, C. (2008) “Universities and community engagement: addressing the causes of social exclusion” Paper presented to *Regions: The Dilemmas of Integration and Competition, International Conference of the Regional Studies Association*, Prague, Czech Republic 27th-29th May 2008

Benneworth, P. Humphrey, L., Charles, D. R.; & Hodgson, C. (2008) “Universities and community engagement: addressing the causes of social exclusion” Paper presented to *Bridging the divide, celebrating the city, 3rd Joint AESOP/ACSP Congress*, Chicago, USA, 6th-11th July 2008.

Benneworth, P. Humphrey, L., Charles, D. R.; & Hodgson, C. (2008) “Excellence in community engagement by universities” paper presented to “Excellence and Diversity in Higher Education. Meanings, Goals, and Instruments” *21st Conference on Higher Education Research (CHER)*, Pavia, Italy, 10th-13th September 2008.

Benneworth, P. & Jongbloed, B.W.A (2008) “Excellence in the third mission: valorising the humanities, arts & social sciences paper” presented to “Excellence and Diversity in Higher Education. Meanings, Goals, and Instruments” *21st Conference on Higher Education Research (CHER)*, Pavia, Italy, 10th-13th September 2008.

Benneworth, P. S., Charles, D. R., Conway, C., Hodgson, C., & Humphrey, L. (2008) “How the societal impact of universities can be improved both conceptually and practically” paper presented to the UNESCO Global Research Forum Seminar , “Sharing Research Agendas on Knowledge Systems”, Paris, France, 28th-30th November 2008.

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Benneworth, P. Humphrey, L., Charles, D. R.; & Hodgson, C. (2009) "University Community engagement" *Paper presented to Centre for Enterprise and Innovation Research seminar series*, Salford Business School, University of Salford, 25th March 2009

Benneworth, P. (2009) "University engagement with excluded communities: reflections on Hope and the West Everton Community Council", presentation to the West Everton Community Council trustees, Everton, Liverpool, 26th March 2009.

Benneworth, P. Humphrey, L., Charles, D. R.; & Hodgson, C. (2009) "University engagement with hard-to-reach communities" Paper presented to *Unequal Places: Planning and Territorial Cohesion* The UK-Ireland Planning Research Conference, Newcastle upon-Tyne, UK, 1st-3rd April 2009.

Benneworth, P. Humphrey, L., Charles, D. R.; & Hodgson, C. (2009) "University engagement with hard-to-reach communities" Paper presented to *Understanding and Shaping Regions: Spatial, Social and Economic Futures*, Regional Studies Association International Conference, Leuven, Flanders, 6th-8th April 2009.

Charles, D.R., Benneworth, P., Hodgson, L. and Humphrey, L. (2009) One country, many systems: community engagement in England and Scotland, PASCAL conference on Community Engagement and Service: The Third Mission of Universities, University of British Columbia, Vancouver, 18th -20th May.

Humphrey, L. Benneworth, P. & Charles, D R. (2009) "Universities and Community Engagement: capacity-building and empowerment of excluded communities?" Paper presented to *Higher Education and Civic Engagement Partnerships: Create, Challenge, Change*, Campus Engage Conference, Dublin, Ireland, 4th-5th June 2009.

Benneworth, P. Humphrey, L., Charles, D. R.; & Hodgson, C. (2009) "Universities engagement with excluded communities: socialised learning in the development of novel knowledge capitals" *The Role of the Triple Helix in the Global Agenda for Innovation, Competitiveness and Sustainability*, Glasgow, 17th-19th June 2009

Charles, D. R., Benneworth, P. S., Humphrey, L. & Hodgson, C. M. (2009) "Universities' engagement with excluded communities" paper presented to *Excellence in engagement: policies and practices for university-community engagement*, HEIs' Impact Initiative Symposium, KITE, Newcastle University, 22nd June 2009.

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Benneworth, P. S. (2009) "Innovation and social exclusion in the knowledge society: The hidden conundrum for regeneration management" Paper presented to *Innovation and knowledge exchange in regeneration management: The challenges and barriers for innovation practice?* 9th Regeneration Management Research Network meeting, Lancaster Business School, 25th June 2009.

Benneworth, P. Humphrey, L., Charles, D. R.; & Hodgson, C. (2009) "HEIs and Community Engagement" paper presented to *HEFCW Research, Innovation and Engagement Committee*, Cardiff, 6th July 2009.

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9.3 OTHER PUBLICATIONS

Conway, C., Benneworth, P., Humphrey, L. & Charles, D. (2009) "Review of university engagement" paper prepared for Newcastle University PVC (Engagement), Newcastle-upon-Tyne, Newcastle University.

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Charles, D. R., Conway, C. & Benneworth, P. (2009) "Benchmarking the regional contribution of universities", *PASCAL Observatory Working Paper*, Glasgow, UK: PASCAL. <http://www.obs-pascal.com/node/963#attachments>

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