Bendigo and Adelaide Bank Limited

Inquiry into Local Economic Development Initiatives in Victoria
This submission will address section (f) and (e) of the terms of reference.

Terms of reference part (f)

Investigate best practice local economic development initiatives relevant to the terms of reference.

This submission will examine two best practice initiatives relevant to the terms of reference:

1. Community Bank® model and
2. Community Strengthening Index

1. The Community Bank® model

In Australia, more than 2,050 bank branches closed between 1993 and 2000. These closures represented a 29% reduction in branch numbers in seven years and left many communities without banking services.

These closures coincided with a more general rationalisation of services in Victoria particularly with the Local Government reforms and with centralisation of a number of state and federal government instrumentalities.

In our view, the economic and social impact of these changes had a profound impact on many Australian communities because it wasn’t just the services that were being lost, it was also the people who worked, lived and contributed so much to the social and economic fabric of these towns and neighbourhoods.

It is also our view that many communities felt a “loss of control” with policies and decisions impacting on these places being made without the input of the locals and in many cases, without proper regard to the consequences.
Throughout the years, the Bendigo and Adelaide Bank has recognised and promoted that one of the reasons for decline in rural districts as well as many suburban areas is the inability of individual communities to effectively manage the financial, human, intellectual and social capital generated in their regions.

**Feeding into prosperity of communities**

Banks were originally formed to help facilitate the flow of capital within communities, to help build and sustain a prosperous village.

In the 90’s we saw an opportunity for a new banking model that held true to the original intentions of banks. We looked at the cooperative banks in Europe and the community banking structures in the United States and we looked at what had occurred in the towns and regions around Australia but particularly in Victoria. We came to the conclusion that we needed a much more embracing model, one that had the commerciality and accountabilities of the neoclassical shareholder model but one that also had at its core the focus on community, so prevalent in the early cooperative and mutual structures.

We believed that if we focussed on the success of customers and of communities our own success as a bank would be assured.

In 1998 we partnered with the communities of Rupanyup and Minyip with the opening of the first Community Bank® branches.

**The anatomy of a Community Bank® branch**

A Community Bank® branch is formed by a locally owned and operated company as a franchise of Bendigo and Adelaide Bank. This follows an intensive period of engagement by a local steering committee which includes, a pledge of support process, a feasibility stage and finally a capital raise via a prospectus of between $600,000 to $800,000 in today’s terms.

Bendigo and Adelaide Bank provides the coverage of its banking licence, a full range of banking products, staff training and ongoing support.

The board of each Community Bank® company is made up of local volunteers while the staff employed to work at the Community Bank® branch are typically members of the local community.

Bendigo and Adelaide Bank and the community company share agreed portions of the banking revenue. Profits made by the local company are available for reinvestment into the community through dividends to shareholders and investments into local community projects.
The Victorian network today

- As at the 30th of June this year the total number of Community Bank® branches in Victoria was 135
- The communities have raised in excess of $68m of share capital
- Total business footings exceeded $12b (that is locally retained business of which the community is receiving a revenue base)
- Monthly salaries paid to local staff exceed $3.2m
- Dividends paid to local shareholder - $12.4m
- Total community contributions to projects, programs, grants and sponsorship – in excess of $51m

The National network

The Community Bank® model operates in each state and territory in Australia and there has been steady demand for the model as demonstrated in the following table.
Total community contributions

The following table represents the volume of business footings and community contributions highlighting the significant increase in the capital that is retained in these communities. This tells us only part of the story; the real story is in the manner in which these community contributions are impacting on the communities economic, social and environmental asset base.
Case study 1

On a cold winter’s night, the community centre in the Victorian goldfields town of Maldon was bursting at the seams. Lawn bowlers, school children, Girl Guides, fire brigade and State Emergency Services volunteers, environmentalists, librarians and musicians were among more than 30 beneficiaries of Maldon & District Community Bank® Branch’s 2011/2012 grants program.

They came from Maldon, Castlemaine, Dunolly, Newstead, Harcourt and Baringhup, and between them shared in a $607,090 funding pool courtesy of Maldon & District Community Bank® Branch.

Community Company Chairman Ron Snep said if it wasn’t for locals banking with Maldon & District Community Bank® Branch, there would be no money to distribute back into the community.

“In banking, everyone has to pay fees and charges, that’s the system’ he said.

“The difference with our bank is that we are the bank that actually returns that money to the community”

- Source “Meet Australia’s community heroes 2012 Community Enterprise Foundation”

Case study 2

Nathalia Community Bank® Branch has helped retain local jobs and capital in the Nathalia community by funding the construction of the new Parks Victoria office complex. The $650,000 complex was constructed using local tradespeople, providing employment opportunities for local residents and retaining capital in the community. Once complete, the new office complex will accommodate 12 permanent employees and will be used as the regional fire control centre in the event of an emergency. The Community Bank® branch will receive a rental income from the new premises, which will be returned to the community via local grants and sponsorships.

2. Community Strengthening Index - Building and sustaining local economies

In the early part of 2011, the Bendigo and Adelaide Bank engaged Deloitte Access Economics to develop a Community Strengthening Index (CSI).

The CSI provides a framework, methodology and tools to allow Community Bank® Boards to measure and report the outcomes of their community investments across the triple bottom line.

Importantly the CSI provides the Community Bank® Boards with a framework to determine the value of future community investments.

A key focus of the CSI is the economic measures and how they apply to community project funding.
The following represents a sample of projects from the Diamond Creek Community Bank® branch and their impacts using the CSI.

Summary Diamond Creek projects

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Funding Level</th>
<th>Amount</th>
<th>Impact Area</th>
<th>Impact Details</th>
<th>Social Impact</th>
<th>Economic Impact</th>
<th>Environmental Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community Bike Station</td>
<td>$10,000</td>
<td>$10,000</td>
<td>Major</td>
<td>Moderate</td>
<td>Substantial</td>
<td>Moderate</td>
<td>Substantial</td>
</tr>
<tr>
<td>Community Park</td>
<td>$100,000</td>
<td>$100,000</td>
<td>Major</td>
<td>Moderate</td>
<td>Substantial</td>
<td>Moderate</td>
<td>Substantial</td>
</tr>
<tr>
<td>Park Renovation</td>
<td>$6,000</td>
<td>$6,000</td>
<td>Major</td>
<td>Moderate</td>
<td>Substantial</td>
<td>Moderate</td>
<td>Substantial</td>
</tr>
<tr>
<td>Diamond Creek Tennis Club</td>
<td>$42,000</td>
<td>$42,000</td>
<td>Major</td>
<td>Moderate</td>
<td>Substantial</td>
<td>Moderate</td>
<td>Substantial</td>
</tr>
<tr>
<td>Total</td>
<td>$120,000</td>
<td>$120,000</td>
<td>Major</td>
<td>Moderate</td>
<td>Substantial</td>
<td>Moderate</td>
<td>Substantial</td>
</tr>
</tbody>
</table>
The development of the CSI signals a new stage in the maturity of the Community Bank® network. Community Bank® Boards now have a framework that compliments their own knowledge and experience to ensure the capital they generate is applied effectively. To date, the response from the network to the CSI has been overwhelmingly positive and we are now working to integrate the framework into a contemporary community planning approach.

Part 2

Examine ways in which municipal councils and the Victorian Government can jointly support local economic development, enhance and promote employment and attract new investment, especially in localities with emerging economic potential.

It is our belief that Communities who have established their Community Bank® branch have a greater capacity to partner with Local, State and Federal Government bodies.

This is due to three reasons:

1. The purpose and focus of the Community Bank® model around broad based community outcomes aligns with the focus of Local Government and many State and Federal Government programs:
2. The Community Bank® board provides a mechanism for Government to partner with a community entity which has a broad community building focus.
3. Once profitable a Community Bank® board has access to a sustainable community revenue streams to enable longer term priority setting and to enable matched funding initiatives with Local, State and Federal Government.

Case Study

The Rupanyup/Minyip Community Bank® branches have contributed more than $150,000 over three years towards the construction of the new Rupanyup Community Centre. Community Bank® branches’ investment was leveraged by the community to secure further funding, including a $300,000 Small Towns Development Grant from the Victorian State Government and a $50,000 contribution from the Federal Government and a Community Support Fund grant of $50,000. In addition to enhancing Rupanyup’s existing sporting and recreation facilities, the centre will provide the community with opportunities to secure new business and hold social and community events, including training seminars, field days, family functions and community celebrations.
In Diamond Creek, residents saw the need for an indoor, multi purpose sporting facility to support sports and other activities within the region. Together with Diamond Creek, Eltham and Hurstbridge and Districts Community Bank® Branches, a committee was formed to raise funds to commence this project. It was estimated the project would cost approximately $10.5m and therefore gaining the support of the local Shire Council, State and Federal Government was crucial. The community was finding it difficult to raise the funds and get the project started. The Diamond Creek, Eltham and Hurstbridge and Districts Community Bank® Branches were looking to invest in a large project that would benefit a broad range of people and retain local capital within their community and committed $1m to the project. The local shire council, the state government and federal government committed the remaining $9.5m and also the land that the sporting facility was to be built on. This great collaboration between the community, their Community Bank® Branches and all levels of government has now produced the “Community Bank” Stadium which will service more than 6,000 people a week. The facility will provide sporting facilities for two school communities, multiple basketball and netball teams, facility for gymnastic clubs and amateur theatre groups as well as meeting rooms for other groups such as Senior Citizens.

This is a great example of how community can partner with their local Community Bank® Branches to take control of its own destiny while maintaining control of its own funds for the benefit of the region.

Source: In the community – A report into community activities of Bendigo and Adelaide Bank.

The Community Bank® national network has identified the need to strengthen relationships with government as a key strategic objective. Many Community Bank® Boards enjoy very productive relationships with Local Government, and to a lesser extent, State and Federal Government. In Victoria, the relationship with State Government has been strong and productive and has led to a number of matched funding projects with Department of Planning and Community Development and Regional Development Victoria as evidenced in the Rupanyup/Minyip and Diamond Creek case studies.

There are a number of examples where relationships between Local and State Government representatives have been brokered by the Bendigo and Adelaide Bank on behalf of the Community Bank® board seeking to achieve a “joined up government approach” to their community priorities. It is interesting that a Bank should play this role, perhaps it’s an indication of how far we have to go to achieve coordination of priority setting at the local level.

Most of our current approaches to partnering with government rely on the fragility of personal and professional connections and the relationships between key people. As soon as these people move on, the process starts again.

Negotiating the vagaries of Government Funding is the domain of the experts and tacticians and the link between aspiration and implementation can be quite tenuous.
The fact that the Bendigo and Adelaide Bank has a team dedicated to assist Community Bank® boards to create the link between funding partners to realise community projects further underlines the previous point.

We believe it would be valuable to explore more sustainable approaches to co-investment with Local and State Government at the local level to address the current constraints and opportunities as outlined in this paper. I am sure that the Community Bank® network would be willing partners in this process given the opportunity to further strengthen their local economies.

Conclusion

The focus of our submission speaks of the opportunity that now presents itself with a resourced and committed Community Bank® network with an absolute focus of strengthening their local economies. The leadership and governance skills that have been developed in communities through the Community Bank® model are assets that can be applied to broader community programmes. The ongoing management of government funded assets has always been a challenge but, with strong community partnership that has the requisite skills to undertake this task, this challenge can be met head on. The significant investment into the development of the Community Strengthening Index is testament to this assertion.

The Bendigo and Adelaide Bank has a strong history of partnering with the State Government of Victoria. We worked together in the aftermath of the Black Saturday Bushfires with the creation of a joint funding pool to assist in the recovery effort and we are currently working with Regional Development Victoria (RDV) on an initiative which will connect our network with RDA funding programs. We remain committed to strengthening the partnership with Local, State and Federal Government and would welcome the opportunity to look for systemic and policy approaches that would ensure more sustainable and effective delivery of economic development initiatives.

I am pleased to provide this submission to the Economic Development & Infrastructure Committee and commend the focus of the Parliamentary Inquiry. I would be pleased to provide further evidence to the inquiry should that be required.

Yours faithfully,

Mike Hirst
Managing Director
Bendigo and Adelaide Bank