

Note of Meeting of Shropshire Business Board and Banks	Date 30 January 2009
---	-----------------------------

In attendance: Patrick Convey, Barclays Bank; Paul Brough, Barclays Bank; Rob Hudson, Barclays Bank; Simon Warriner, HSBC Bank plc; Andy Woodthorpe, Royal Bank of Scotland; Malcolm Sutcliffe, Handelsbanken; Gareth Evans, Handelsbanken; Mark Hodgkins, Morris and Co.; Fay Easton, Shrewsbury Enterprise Partnership; Richard Sheehan, Shropshire Chamber of Commerce and Enterprise Ltd., Andrew Corbett, Perfectarc, Southern Area Partnership; Ann Johnson Federation of Small Businesses, Husk Consulting; Roger Belham, CS Contract Furniture Ltd.; Arthur Hill, CH Hill & Sons; William Jones, Greyhound Plant Services; Tony Bywater, Salop Leisure; Cllr. John Hurst-Knight, Shropshire County Council; Geoffrey Davies (Chairman), Shropshire Business Board; Nick Taylor, Shropshire Council; Jacqui Casey, Shropshire Council.

Apologies: Amanda Cunningham, AWM; Judith Kirkland, Business Enterprise Support; Karen Davies, Heart of England Fine Foods; Robin Morris, Morris and Co; Trevor Benyon, Muller; David Ledbury, Business Link West Midlands; Kairen Francis, Jobcentre Plus; Graeme Chaplin (Bank of England); Rob Bickerton, Shrewsbury Football Club; Colin Spicer, Shropshire Newspapers Ltd.; Martin Coward, HSBC.

Subject	Summary of Key Points/Actions (By Whom)
<i>1. Welcome & Introductions – G Davies</i>	G Davies, Chair of Shropshire Business Board, welcomed all.
<i>2. Brief introduction to the work of the Shropshire Business Board – G Davies</i>	G Davies provided an overview of the development and role of the Shropshire Business Board and the completion of the Board’s first task – the production of a 3 yr Business Plan, a copy of which was circulated to attendees prior to the meeting. The Plan has now been accepted by Shropshire Council as economic policy for the county and delivery of some early project work has commenced.
<i>3. Shropshire Economic Context & Issues - N Taylor, Assistant Director Strategy & Development, Shropshire Council</i>	<p>N Taylor briefly described Shropshire’s mixed economy, over reliance on declining sectors and the focus of the Council and Board on supporting the development of higher value businesses. Shropshire’s predominance of small & medium enterprises (SMEs) and home-based businesses leave its business community particularly vulnerable to current economic conditions. The Council policy of encouraging Affordable Housing within commercial housing schemes was specifically noted. Planning conditions ensure such provision remains ‘affordable.’ Requested Banks note this in dealing with relevant customers.</p> <p>There were no comments on the Council’s Recession Report, provided to attendees prior to the meeting. This provided: a snap shot of the state of the Shropshire economy (Jan ’09); details of current local authority initiatives to support businesses through the economic downturn; an assessment of support provided by other authorities; and suggested future additional actions which the Council might pursue.</p>
<i>4. Banks Representatives’ explanation of Government and Financial Sector’s Response to the Issues - Discussion</i>	<p>Discussion took place around a number of questions raised by Business Board members:</p> <p>Are Banks lending to Shropshire businesses?</p> <p>All representatives agreed that Banks are lending and ‘Open for Business.’ Including start up loans. Banks are using Government backed schemes: New Working Capital Scheme and Enterprise Finance Guarantee Scheme. Latter only announced 3 weeks ago, banks acting promptly to mobilise on this support. Barclays using European Investment Bank Scheme (a cash-pass back scheme).</p> <p>HSBC Junior Managers have received additional training on helping customers in this challenging environment including: cashflow & business planning, use of the VAT deferment scheme, recognising problems early, self-help techniques. Barclays has increased size of management team in Shrewsbury.</p> <p>Continued due diligence, i.e. lending to viable businesses with strong business plan and</p>

cash flow. Common problem, irrespective of current economic conditions, is the poor quality of the financial information businesses are providing to banks.

Is current climate ‘colouring’ view on lending?

All agreed depends on the nature of the business. All stated that companies are not approaching them and Banks are only seeing the end of the problem. Need to work with businesses earlier to avoid problems.

Anecdotal comments including those from FSB and Chamber, provided by the attending businesses, highlighted some concerns over: alterations to interest rates; use of letters rather than discussion to notify bank clients of changes; and business requirements for extension to credit. Some businesses have had to extend credit to customers, affecting a change in their normal pattern of banking activity.

What discretion do you have to lend locally?

Very difficult question for Banks to answer: Financial Services Authority regs. must be followed. HSBC provided example of local discretion of £1m for Shropshire but would be caveats, so can't generalise. Handelsbanken noted local lending discretion in excess of £1m without caveats i.e real local lending discretion.

Do Banks fight the corner for the small business?

Yes. Without them Banks have no business. Must lend to make money. Handelsbanken operates different model – a wholly decentralised bank with local decision-making on all investments, no sales targets, no sub-prime interests.

What do sales targets mean?

Banks have income targets to achieve across a variety of products. There is a significant target to increase interest from lending. Banks must lend to meet targets. RBS & NatWest have no target to increase interest from lending - overdrafts guaranteed for 1 year, with interest rates frozen providing no material shift in business risk profile.

Understand the need to lend to viable businesses, however, every business is slightly less viable than it was two months ago. Are you empowered to take more risk now?

For most industry sectors banks credit policy has not changes. Every sector has winners and losers so every business examined on its own merits. There is an emphasis on the new enterprise scheme. No specific directive on risk.

Time limits can be problematic. Adds to pressures of running a business if facilities need to be negotiated every 6 months.

Banks are now looking at longer models, each examined on case-by-case with a minimum of 12months facilities, longer if possible. Building customer-bank manager relationships has a key role to play in growing businesses.

Are Government Schemes starting to feed through to Shropshire businesses?

Schemes are currently available and more coming in March '09 BUT businesses are not approaching due to press perceptions. Clear message to Shropshire businesses that Banks are open for business is required.

Conclusions and Next Steps

Agreed that:

- **Continued support for fledgling business, as well as for ongoing enterprises, was essential**
- **Shropshire is high growth area in respect of new enterprises and Banks need to seek out that growth**
- **Representation from among the banks on the Business Board would be invited to ensure closer working, better dissemination of information on**

available support.

G. Davies thanked all, particularly the Banks representatives, for their attendance.

Meeting Closed 5.15pm