

HISTORY AND DEVELOPMENT



THE NEED

The need for ART was first identified by the Aston Commission, a community initiative involving local groups, voluntary sector organisations and business, which identified the problems faced by the Aston Ward in inner city Birmingham. A key recommendation was the establishment of a community based finance institution to fill a gap in access to finance being left by the banks.

A NEW MODEL OF FINANCE FOR THE UK

After publication of the findings of the Aston Commission, an initial feasibility study was carried out in 1989 and a business plan developed in 1992. This was followed by a lengthy design and development stage during which inspiration was drawn from the successful Community Development Loan Fund movement in the USA.

ART (Aston Reinvestment Trust) launched in June 1997 as a Community Development Finance Institution (CDFI). Constituted legally as an Industrial and Provident Society, ART is owned by its members, both borrowers and investors. Its model – raising money from member investors to be lent locally - has since been replicated around the UK.

Some CDFIs offer personal as well as business finance. ART specialises in loans for businesses and social enterprises unable to meet any or all of their requirements from the banks.

SUPPORTED BY PHILANTHROPY

A donation of £40,000 from the Barrow Cadbury Fund created a guarantee fund to underwrite loans. ART's loan fund was built initially by socially directed individuals and companies.

The Aston Commission was chaired by Sir Adrian Cadbury, who became ART's first Chair, and remained its President until his death in 2015. Sir Adrian was active in gaining support from individuals and private companies who were happy to invest in ART with only the promise of a social return – the preservation or creation of local jobs for local people. During its first year, ART raised over £300,000 in this way.

Operational help came with revenue support from Barclays and NatWest, including staff secondments through Business in the Community. Steve Walker, initially seconded by Barclays, became Chief Executive of ART pre-launch and remains in post today.

Additional support from Birmingham City Council, local area regeneration initiatives and the Energy Saving Trust enabled ART to gain momentum.

EXTENDING REACH AND REMIT

ART's original mission 'to alleviate poverty through enterprise' has developed over the years to include a broader remit: 'to ensure that viable businesses in the West Midlands can access the finance they need'.

Research before launch showed that to be viable ART could not lend exclusively within an area as small as Aston, so it began by targeting all inner city areas. By 2000 it had become apparent that even this was too restricted, so its reach was broadened to include the whole of Birmingham and North Solihull. In 2008, this was again extended to include the whole of Solihull. In 2012, with support from the Regional Growth Fund, ART expanded its area further to include the whole of the West Midlands.

Initially ART lent up to £50,000. Today it lends £10,000 to £150,000. This reflects a growing demand among businesses, for many of which the banks are no longer a first option when looking for finance. Typically these days ART lends alongside other financiers, including the banks. Packages of finance are becoming increasingly common as the way to meet a business' needs.

GROWTH AND SUSTAINABILITY

As an independent social enterprise, ART aims to be sustainable in the long term. The balance sheet from ART's latest Annual Report shows that it is in a healthy position financially, despite being designed to take greater risks with its lending than the banks. To achieve this, ART has used public sector funds to cover the risks it has taken over the years.

ART was set up to fill a gap in the market left by the banks and has grown, as that gap has grown. Record lending in the past two years demonstrates that there is still a strong unmet demand. Looking to the future, ART is aiming to meet this need by seeking funding to increase its lending pot.

CONTRIBUTING TO POLICY AND SHARING EXPERTISE

From the outset ART has contributed to, and featured in policy research, including:

- The Financing of Social Enterprise - Bank of England - May 2003
- Enterprising Communities Wealth beyond Welfare - a report from the Social Investment Task Force - October 2002
- Finance for Small Firms - Bank of England - April 2002

Chief Executive Steve Walker and his team have shared their experiences and offered advice to others in the sector, both in the UK and around the world. Steve Walker has also contributed to local and national government policy on access to finance for enterprise, serving on a number of committees, Boards, panels and task forces.

The team keeps up to date with the options available for business and is able to offer guidance and signposting to additional sources of finance to its clients.