



# Taking Ownership

Community empowerment  
through crowdfunded investment

Rosalyn Old, Jonathan Bone, Dave Boyle and Peter Baeck

May 2019

**nesta**



SUPPORTED BY  
**MAYOR OF LONDON**



## About Nesta

Nesta is an innovation foundation. For us, innovation means turning bold ideas into reality and changing lives for the better.

We use our expertise, skills and funding in areas where there are big challenges facing society.

Nesta is based in the UK and supported by a financial endowment. We work with partners around the globe to bring bold ideas to life to change the world for good.

[www.nesta.org.uk](http://www.nesta.org.uk)

## About The Community Shares Company

The Community Shares Company specialises in assisting groups in developing all aspects of share offers. They are leading experts in community shares in the UK and have helped dozens of organisations raise money using this tool.

<https://communityshares.co.uk>

## About the Greater London Authority (GLA)

The Mayor of London is responsible for making London a better place for everyone who visits, lives or works in the city. The Mayor sets out a strategic direction and oversees a £17bn budget. Sadiq Khan has a vision of a 'city for all Londoners' underpinned by inclusive growth, social integration and active citizenship. The Regeneration and Economic Development team seek to deliver this vision through place-based investment programmes and research. Crowdfund London and the wider community-led regeneration agenda is aimed at finding innovative new ways to help communities come together to propose, fund and deliver new ideas to improve the city. This research was financed through the GLA's Good Growth Fund – A London Economic Action Partnership (LEAP) funded programme.

[www.london.gov.uk](http://www.london.gov.uk)

## About the London Economic Action Partnership

The London Economic Action Partnership (LEAP) is the local enterprise partnership for London. The LEAP brings entrepreneurs and business together with the Mayoralty and London Councils to identify strategic actions to support and lead economic growth and job creation in the capital.

<https://lep.london>

If you'd like this publication in an alternative format such as Braille, large print or audio, please contact us at: [information@nesta.org.uk](mailto:information@nesta.org.uk)

Design: Green Doe Graphic Design Ltd

# Taking Ownership

## Community empowerment through crowdfunded investment

<b>Acknowledgements</b>	<b>4</b>
<b>Executive summary</b>	<b>5</b>
<b>Introduction</b>	<b>7</b>
<b>1 What is crowdfunding community investment</b>	<b>11</b>
<b>2 How to crowdfund community investment</b>	<b>33</b>
Selecting which financial instrument to use	35
Selecting a legal entity and governance model	43
<b>3 Opportunities and challenges in community investment, governance and ownership</b>	<b>50</b>
Opportunities – community empowerment through financial and non-financial contributions	51
Challenges – transitioning from grassroots fundraising to running a community organisation and avoiding negative impacts on diversity and inclusion	57
<b>4 How local and city government and foundations can support community investment</b>	<b>68</b>
Provide flexible funding options	70
Help communities to access land and buildings	73
Develop active communities and their relationship with local and city government	76
Invest in skills, awareness and capacity building	80
<b>Discussion</b>	<b>83</b>
Institutions need to cater the support they offer to the communities or issues they are looking to serve	83
<b>Glossary</b>	<b>84</b>
<b>Endnotes</b>	<b>85</b>

# Acknowledgements

We are very grateful for the valuable insight and feedback on this research from our colleagues at Nesta, **Theo Bass**, **Eddie Copeland**, **Carrie Deacon**, **Alex Hook**, **Jenni Lloyd**, **Tom Symons**, and the wider Government Innovation team.

We would like to thank the Greater London Authority and the London Economic Action Partnership for their financial support. We would also specifically like to thank **James Parkinson**, **Patrick Dubeck** for their guidance on this research and everyone that attended and gave feedback at the cross-team workshop at the GLA.

This report is based upon the insights and experiences of a whole range of community businesses, projects, funders, institutions and local authorities. We would like to thank the following people and organisations for taking part in the research through interviews, roundtables and sharing feedback on early drafts of the report.

**Dave Hollings** (Co-operative and Mutual Solutions); **Ged Devlin** (Power to Change); **Julian Manley** (The Preston Co-operative Network); **Genevieve Maitland Hudson** (Social Investment Business); **Hugh Rolo** (Locality/Social Investment Business); **Cliff Mills** (Anthony Collins Solicitors); **Tom Carman** (Ethex); **Wendy Hart** (Nudge Community Builders); **Rebecca McIntyre** (Bamford Community Society); **Barry Forde** (Broadband for the Rural North – B4RN); **John Haines** and an investor (Projekts MCR); **Simon Borkin** (Community Shares Unit); **Alex Stephens** (Big Society Capital); **Helen Seymour** (Headingley Development Trust); **John McKenzie** (GlenWyvis Distillery); **Susan Stuart** (Jubilee Pool); **Charlie Dobres** (Lewes FC); **Phil Geraghty** (Crowdfunder); **Iain Chambers** (The Bevy); **David Cameron**, **Lindsay Chalmers** and **Kristina Nitsolova** (Community Land Scotland); **Derek Morton** (Portland Works); **Chris Cowcher** (Plunkett Foundation); **Phil Caroe** (Allia); **Emma Adelaide Back** (Equal Care Co-op); **Kevin Caley** (Community Chest); **Taryn Cornell** (The Department for Digital, Culture, Media and Sport); **Mark Davis** (Leeds University); **Stephen Blackburn** and **Hannah Roden** (Leeds City Council); **Whitni Thomas** (Triodos); **Hana Loftus** (Public Practice); **Agamemnon Otero** (Energy Garden); **Joanne Launder** and **Steve Turner** (Libraries Unlimited); **Karl Wilding** (NCVO); **Stephen Kenny** (Grove Park Neighbourhood Plan); **Ruth Heritage** (They Eat Culture); **Jane Hunt** (Plymouth City Council); **Stephen Knox** (Entrepreneurship Team, Scottish Government); **Suzanne Orchard** (Co-operative development Scotland); **James Proctor** (Community Shares Scotland); **Holger Westphely** (CAF); **Karl Harder** (Abundance); **David Ahlquist** (Locality).



# Executive summary

Community-led projects have the power to transform local areas socially, economically and environmentally. This report explores how investment crowdfunding models can be used to fund projects which are owned and run by the communities they serve, enabling community-led regeneration and boosting local resilience. Local governments, city authorities and institutional funders have a crucial role to play in supporting and growing this sector, to make the most of the opportunity in using these tools to boost social infrastructure and community empowerment across the country.





**Chapter 1** Describes what is meant by crowdfunding community investment, with an outline of the variety of projects which can be supported – from pubs to community gardens – and its five elements (project, community, investment model, sustainability business plan and governance model), before giving an overview of the crowdfunding process and the main financial and governance models available to community groups.

**Chapter 2** Provides a 'how-to' guide for crowdfunding community investment, with guidance on choosing a financial and governance model to suit the project context, through analysis of the pros and cons of a range of options.

**Chapter 3** Uses insights from interviews with community projects and institutions to identify and provide an analysis of the main opportunities and challenges for community investment, governance and ownership.

Opportunities	Challenges
<b>Community empowerment through financial and non-financial contribution</b>	<b>Transitioning from grassroots fundraising to running a community organisation and avoiding negative impacts on diversity and inclusion</b>
<p>Helping fund projects that would not otherwise get funded through more traditional routes (e.g. grants or bank loans).</p> <p>Creating more financially stable community initiatives by facilitating the creation of new revenue streams and increasing use by the community.</p> <p>Increasing volunteering and other non-financial contributions (e.g. access to space and local knowledge).</p> <p>Strengthening local resilience, self-determination and social infrastructure by bringing communities together to improve their area.</p>	<p>Gaining access to assets for community use due to conflicting priorities, lack of finance or expertise.</p> <p>Planning and running a successful investment crowdfunding campaign.</p> <p>Transitioning from fundraising to running a community business and maintaining community engagement throughout.</p> <p>Representing the community – ensuring equality, participation and inclusion.</p> <p>Concerns about relationship with government funding.</p>

**Chapter 4** Shares examples of the roles that institutions such as local government, city authorities and foundations can have in supporting community groups undertaking such projects, to enable the biggest social impact. The table below summarises how best to address the previously-identified challenges.

Theme	Challenge	What can institutions do
<b>Flexible funding</b> 	Planning and running a successful investment crowdfunding campaign. Transitioning from fundraising to running a community business.	Provide flexible grant options to cover both set-up and operational costs. Use loans to help bridge funding gaps. Set up a matched (investment) crowdfunding scheme. Provide convertible grants.
<b>Access to land</b> 	Gaining access to assets for community use.	Help groups find space by providing data on who owns unused land and acting as matchmaker between projects and land owners. Ease the process of asset transfer by providing information and support. Coordinate financial support for purchase of assets by offering bridging loans or securing assets while groups raise community investment. Lend unused space and support meanwhile use of buildings by speeding up processes and giving clear expectations about how long groups can use spaces for.
<b>Developing active communities</b> 	Planning and running a successful investment crowdfunding campaign Transitioning from fundraising to running a community business. Representing the community – ensuring equality, participation, and inclusion.	Facilitate community building by running both formal and informal events in the local area. Go beyond consultation by using digital tools to aid collaboration. Create a strategy for the role of community groups. Champion proactive outreach, skill and resource sharing with community groups working in priority areas. Use influence to raise awareness and help community projects overcome barriers. Listen to community groups and help advocate for policy change to break down barriers.
<b>Skills awareness and capacity</b> 	Representing the community – ensuring equality, participation and inclusion. Planning and running a successful investment crowdfunding campaign. Transitioning from fundraising to running a community business.	Share success stories online, in print or through events. Produce or share online and printed information on models and governance options. Provide tools and training on: <ul style="list-style-type: none"> <li>• Running a crowdfunding campaign</li> <li>• Planning and running a business</li> <li>• Investment and fundraising</li> <li>• Organisational governance</li> <li>• Project management</li> </ul> Create and support peer networks.

# Introduction

In 2017, a group of local residents in Plymouth decided to bring The Clipper, a once notorious but now unused and dilapidated pub on the city's Union Street, back to life as a community market and work space for local startup businesses. To raise funds and ensure the new space involved the local community, the Nudge Community Builders Group decided to raise part of the money through community shares, giving local people an opportunity to invest in The Clipper. Through this they managed to raise over £206,000 in investment from 165 people,<sup>1</sup> which including investment from Plymouth City Council and Co-operatives UK, enabled them to bring the building back into use. In addition to the chance to help improve their local area and access new facilities, investors got a share in the ownership of The Clipper and a say in how it is run, with plans to be paid interest if the project is profitable.

The Clipper, and how it managed to get the community to invest in rejuvenating a local space, is a good example of the key features and potential benefits of crowdfunding community investment.

However, say crowdfunding for 'investment' or 'buying shares' and most people will think of betting on a startup with the aim of making a good financial return if the company they put their money into does well. However, as we explore in this report, it can also be about communities investing in local assets such as a pub, a community arts space or a shop, driven by motivations that are more about working with others in the community on making a local initiative happen, than making a financial return. While there are many inspiring examples of how this can be done that demonstrate the opportunities in crowdfunding community investment (we look at six of them in detail), its use is still relatively low, both by communities seeking funding and amongst those interested in supporting them, such as local authorities and foundations. The reasons for this are many, but often it is down to the fact that many don't know what the different models for crowdfunding community investment are and what they can be used to raise funds for. As a result, not nearly enough is being made of the potential in crowdfunding community investment as a tool for empowering communities.

For the purpose of this research we define crowdfunding community investment as the process of raising money for an organisation from a group of individuals (the 'crowd') that will use, volunteer with, work for or otherwise directly benefit from that organisation's activities (i.e. they belong to the same community), with the expectation that investors will have the opportunity to be paid back at some point in the future, sometimes with interest (i.e. it is an investment rather than a donation).

## Who is this report for?

This report aims to make the opportunities (as well as the challenges) in crowdfunding community investment clearer and make it easier for both community groups and institutional funders to explore this as an alternative route to raising money and bringing communities together to develop common spaces and shared resources.

For communities we set out information on how to embark upon the process of crowdfunding investment for a project from the community. Local authorities, city authorities and other institutional funders such as foundations are in the position to create the environment in which strong community projects are able to thrive, and we set out a range of ways to do so, through interventions related to finance, access to land, community building and collaboration.

Therefore, we have structured the report in four chapters aimed at these different audiences, which explore the different aspects of crowdfunding community investment and its relevance to community groups, funders and policymakers.

### Chapter 1

#### What is crowdfunding community investment, and what you can do with it?

This chapter is aimed at both projects interested in raising funds through crowdfunding community investment, and policymakers and funders interested in supporting projects to harness the social potential of using these tools.

### Chapter 2

#### How do you crowdfund community investment and what do you need to consider when doing it?

This chapter is primarily aimed at projects and organisations interested in raising funds through crowdfunding community investment.

### Chapter 3

#### What are the opportunities and challenges in using crowdfunding community investment?

This chapter is aimed at both projects interested in raising funds through crowdfunded community investment, and policymakers and funders interested in supporting projects to fundraise in this way.

### Chapter 4

#### What can local and city government, and foundations, do to support community-led initiatives to crowdfund investment.

This chapter is primarily aimed at policymakers and funders such as local authorities, foundations and city authorities interested in supporting communities to fundraise via crowdfunding community investment. It sets out a range of methods to support these activities and empower communities to take on such projects.

## Why now?

Every day people up and down the country donate money to projects that develop places and activities in their community. Past work by Nesta has explored how crowdfunding<sup>2</sup> – through facilitating many small donations towards a project from large groups of people through an online platform – has created new opportunities for people to give to and engage with their community. However, both Nesta and the Greater London Authority (through its Crowdfund London initiative) have also found that while crowdfunding through donations is great for getting a project off the ground, it has significant limitations when it comes to enabling long-term engagement between the community of funders and the project they are backing, just as it has limits to how much can be raised and what for.

This poses a risk to the sustainability and opportunity for long-term impact of some projects. There are innovative investment models such as community shares and bonds that give projects and their supporters more long-term engagement and ownership, but these are often seen as too costly or complicated by community projects, which has been a barrier to their wider uptake.

While they haven't grown at the same pace, or to the same scale, as the more business-oriented models there has also been growth in crowdfunding models that enable people to make social investments into projects that focus on making a social impact. For example, through enabling people to buy bonds or invest in small parts of a loan for a renewable energy project, or buying shares in a local pub or a community sports club. Online crowdfunding platforms were used to raise £20 million through community shares and an estimated £29.5 million through debt-based securities for community, social or environmental projects in the UK in 2017. In some cases, these combine profit and social motivations, giving investors some financial return on investment as well helping get a project with a social purpose off the ground. In others there is no financial return, but people can use their investment to join other investors in governing and decision-making.

Photo: The Clipper



The Clipper



Common across all of these is that they give communities a new set of financial tools that can help them engage in collective action to start a new project, bring old places or projects back to life, or invest in growing a local initiative that has already been shown to work.

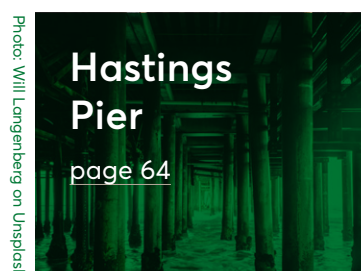
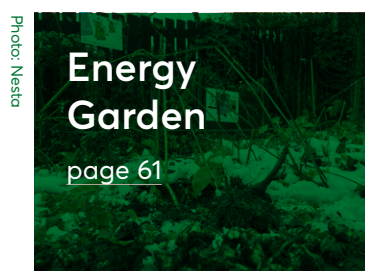
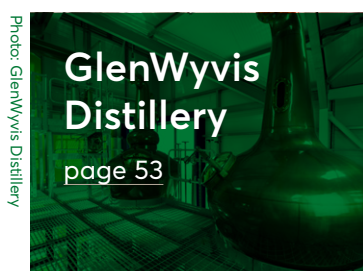
These projects are about more than money, as they also contribute to the empowerment of communities, the development of skills and strengthening of social networks, which can all build a community's resilience and ability to shape their local area now and into the future.

However, while there are many interesting examples from across the UK of communities using crowdfunding to invest local assets, there is relatively little understanding of the main challenges and opportunities in using these new financial tools for community lead regeneration. As a result, community groups and funders are either unaware or sceptical about the role of crowdfunding as a part of how they think about funding and engaging with local assets. These challenges which have been identified around governance, ownership structure and protection of assets, are evidenced by the fact there is currently an inquiry underway,<sup>3</sup> in response to issues surrounding the ability of some community investment projects, supported by public money, to stay in community ownership in the long-term.

Through an extensive literature review and interviews with more than 30 organisations<sup>4</sup> which have either tried crowdfunding investment for their community-led projects (both successfully and unsuccessfully), or that work to support these organisations (e.g. local and central government, crowdfunding platforms, foundations and social investors), we hope that this report can help create more clarity about how and when it can help lead to positive results for communities (as well as when not to consider it).

This report is not arguing that crowdfunding community investment is the panacea for all challenges related to community lead regeneration, but rather that it should be seen as one of many tools available to organisations interested in how to better involve communities in taking ownership over their local places.

## See our project case studies



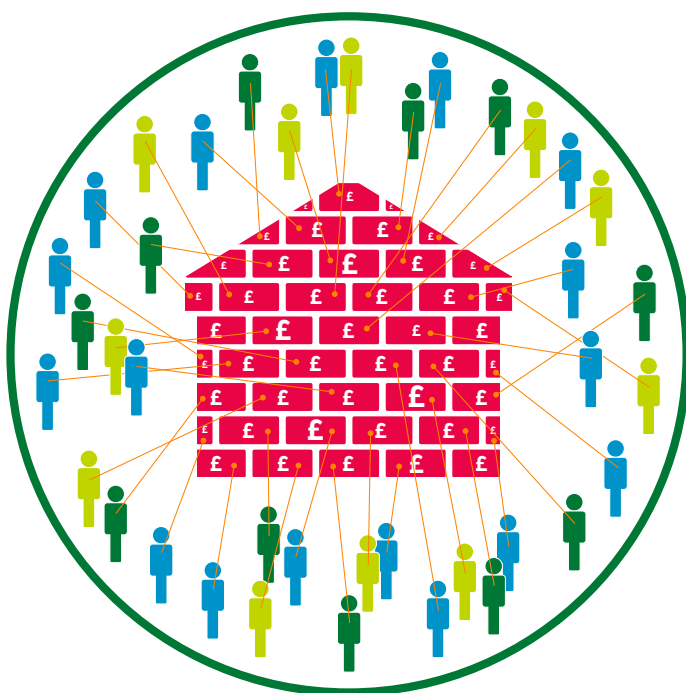
## Chapter 1

What is  
crowdfunding  
community  
investment?

As crowdfunding community investment covers a broad range of types of project, it is useful to understand the what, who and how in these areas of activity. In this chapter we look at the features of crowdfunding community investment in more detail, including the different models for investment, the crowdfunding process and the role of the community in running projects.

## Crowdfunding community investment

Crowdfunding community investment enables communities to invest in a local asset in return for some combination of the right to use the asset, take part its governance and potential financial benefits. It covers a range of different social investment tools and approaches. Typically, organisations raising community investment will have the aim of addressing a particular social need or in another way having a positive impact on their wider community (i.e. not just benefitting their investors).



Crowdfunding community investment is not a new phenomenon and it has roots in the co-operative movement of the 19th century. However, while the basic concept isn't new, the internet has opened up additional opportunities to connect potential investors with community organisations looking for funding, whether that's through a dedicated crowdfunding platform, a community organisation's website, via social media or through all three.

At the heart of crowdfunding community investment is the idea of the community as both investors in, as well as users of, the organisation that is

being funded. There are lots of different definitions of exactly what a community is. In the context of community investment 'community' is best described as a group of people for which common goals, needs or concerns give them a sense of shared identity.<sup>5</sup> While these commonalities are often the result of being situated in the same geographical area, they could equally focus on a shared interests, values or experiences.<sup>6</sup>

Crowdfunded community investment fits under the umbrella of social impact investing which broadly describes investments seeking to generate social impact alongside potential financial return, often made by institutional investors (such as banks, corporates or dedicated social investment institutions). This report does not attempt to explore social impact investing in its entirety, for which there is already a wide body of work.<sup>7</sup>

## Why do organisations crowdfund community investment?

While motivations differ, broadly, the following five reasons apply to projects using crowdfunded community investment:



**Starting something new** having identified a solution to a social issue or having an idea of how to make the community a better place to live.



**Creating financial security** through developing new revenue streams or paying off old loans.



**Resurrecting something** that has shut down or saving something intrinsic to the community that is about to be shut down.



**Growing so they can serve** more members of the community.



**Generating more** engagement with their community.

## What can be funded through crowdfunded community investment?

### Supporting a broad range of community projects and initiatives

While community groups and organisations are constantly pushing the boundaries of what can be funded through investment crowdfunding, the types of community projects and assets that people are typically willing to invest in can be broken down into ten broad categories: shops; pubs; football and other sports clubs; multipurpose community hubs; infrastructure and services; renewable energy; housing; food, farming and community gardens; leisure facilities; and heritage.

There is often overlap between these categories where one project offers multiple facilities, such as a pub which also contains a shop or a cafe.<sup>8</sup> Furthermore, for some it's not about one short term project as there are several organisations which have used investment crowdfunding that act as community builders, over time setting up several different projects and helping to regenerate entire streets or neighbourhoods. For an example of this you can read our case study on [Headingley Development Trust](#) on [page 19](#).<sup>9</sup>

Here, we focus on place-based community projects, however, the same models have been utilised to raise funding from communities brought together by common interests or values rather than geography, including for news and media projects,<sup>10</sup> and by platform co-operatives.<sup>11, 12</sup>



## Shops

There are currently around 360 community shops in the UK, with an average of 22 shops opening under community ownership each year.<sup>13</sup> Community shops are often combined with other assets of value to the community. For example, 59 per cent host post offices, 43 per cent have a cafe and 19 per cent are co-located with other community buildings such as the pub or village hall.<sup>14</sup>

In rural communities the growth in numbers of community shops has mainly been driven by the large number of village shops closing (around 400 per year).<sup>15</sup> In 2015, for example, residents of the village of Benenden in Kent, decided to save the village shop from closure and run it as a community business. To do this they raised over £86,000 from 350 individuals through a community share issue and the store is now staffed by local volunteers, supported by professional managers and a management committee.<sup>16</sup>

In urban communities, the formation of community shops is often motivated by a demand for local, organic, fresh and seasonal fruit, vegetables, and whole foods when locals are not happy with what is on offer from existing shops. Unicorn Grocery Co-operative in Manchester had been successfully selling organic produce and affordable whole foods for seven years from a rented building until one day the landlord decided to sell up. In response to this, they raised £350,000 in non-transferable bonds from their community, which, in combination with institutional loan finance, allowed them to buy the whole building, doubling their floor space and allowing them to continue to grow their business.<sup>17</sup>



## Pubs

Just as it has been used to keep local shops open, community ownership has been a popular way for communities to combat the closure of local pubs – which is happening at a rate of around 14 closures per week.<sup>18</sup> According to the Plunkett Foundation, there were 85 known community pubs trading across the UK at the end of 2017, a 30 per cent growth in numbers on the previous year.<sup>19</sup>

Photo: Bamford Community Society



The Anglers Rest

Community owned pubs often offer additional services and facilities, especially in rural areas, helping to combat loneliness and isolation, and acting as cultural centres alongside creating employment opportunities. For example, The Anglers Rest in Bamford, which was purchased by locals through a £263,500 community shares issue, combines a pub with a cafe and post office;<sup>20</sup> and the Ivy House in Nunhead, which locals invested £142,600 towards buying through community shares,<sup>21</sup> now runs several activities including a knitting circle, yoga and pre-school classes along with regular live music events.<sup>22</sup>





## Football and other sports clubs

Reflecting its grassroots nature, it is perhaps no surprise that crowdfunding community investment has been popular amongst sports clubs, particularly football clubs. There are now more than 40 community owned football clubs in the UK.<sup>23</sup> Well-known examples of this include Lewes Community Football Club which raised £220,000 from over 1,000 fans through a community share offer which was put towards the construction of a full size third generation artificial grass pitch on a land asset transferred to them from East Sussex County Council;<sup>24</sup> and Wrexham A.F.C. who raised £165,000 through community shares from more than 4,000 supporters for working capital and club shop redevelopment.<sup>25</sup>

While football clubs have been the leaders in the field of sports clubs crowdfunding community investment, a number of other sports clubs have provided the opportunity for individuals to earn interest while supporting their favourite club, such as Harlequins rugby club (£15 million),<sup>26</sup> The Jockey Club (£25 million)<sup>27</sup> and the Lancashire Cricket club (£3 million)<sup>28</sup> which have issued bonds to supporters and investors.



## Multipurpose community hubs

Community hubs are multipurpose buildings typically offering a cafe, rooms or workspace to rent and putting on events. Combining these facilities under one roof can help bring residents, local businesses, and smaller organisations together to change areas for the better.<sup>29</sup>

Stretford Public Hall, for example, raised over £255,000 from more than 800 investors to refurbish a Victorian ballroom into a venue space, which now hosts a community choir and regular cinema nights, alongside co-working space and artist studios;<sup>30</sup> and Portland Works in Sheffield raised over £300,000 from 500 investors to save a closed down metal factory from residential conversion and renovate it to host a centre for small manufacturing, independent artists and craftspeople, which is now home to more than 30 small businesses.<sup>31</sup>

Photo: Nudge Community Builders



The Clipper

Arts and cultural centres are also increasingly being seen as more than just a place to go to the theatre, but also as important centres for community activity – offering classes, workshops and spaces to rent for meetings and events.<sup>32</sup> In 2017 for example, Komedia Bath, a comedy and live entertainment club in Bath which also hosts a cafe and hireable space, raised £379,200 through community shares in order to create a more sustainable business by helping the venue clear its overdraft, increase its promotional activity and create a closer link with its customers.<sup>33</sup>



## Infrastructure and services

Infrastructure and service projects are typically set up to fill gaps where needs are unmet by government or private providers, particularly in rural areas. This includes amongst other things transport, a school, and even broadband.<sup>34</sup> In 2018 in Strontian, a small Highland community, locals decided to build their own school after the local council's plan for sorting out their ageing primary school was rejected by parents. They raised £35,600 towards the build through community shares crowdfunding;<sup>35</sup> making it the first community shares project of its kind.

Community-run transport is often set up to help people access employment, services or facilities in places that lack adequate bus or train services. Investment crowdfunded examples include Hayfield Sustainable Transport Ltd in the Peak District, which raised £50,000 through community shares to provide affordable, volunteer-driven mini-bus hire, to not-for-profit groups and organisations which are unable to afford their own minibus, including the local school and sports clubs.<sup>36</sup>



---

## Renewable energy

Community energy projects involve a group of people coming together to generate, own and manage a renewable energy supply e.g. solar, wind or hydro energy. Renewable energy is the largest sector in the community investment crowdfunding space, with around £6 million raised for energy projects through community shares alone in 2018.<sup>37</sup> The popularity of crowdfunding community energy projects has been driven by a desire to provide access to cheaper energy and decrease reliance on fossil fuels. This, combined with tax incentives, has been giving investors a financial as well as a social return on their investment.<sup>38</sup> Examples include Harlaw Hydro which raised £335,250 through community shares to install and manage a hydroelectric turbine at a local reservoir in order to generate green electricity, whilst generating income to fund local community initiatives, such as a local farmers' market;<sup>39</sup> and Solar for Schools which raised £250,000 through community bonds to provide schools with the means to have a solar panel-generated energy supply.<sup>40</sup> Renewable energy projects are sometimes combined with amenities such as educational facilities or community gardens (see our case study on Energy Garden on [page 61](#)).<sup>41</sup>



## Housing

At a time when the number of council homes in the UK is at a record low,<sup>42</sup> some of the largest community-led initiatives which have been funded through investment crowdfunding have been those aiming to create affordable homes and supported living accommodation for vulnerable adults. With both debt-based crowdfunding models (i.e. bonds and debentures) and community shares, investors get back the money they put in, plus interest, but the value of their original investment does not go up. This means that they do not feed into the speculative behaviour that drives up property prices and forces up rents.<sup>43</sup>

Merseyside Assured Homes, for example, raised £4.25 million through crowdfunded debentures to build 21 homes for families who are unable to afford market rent and nine supported living homes in and around Liverpool, where more than 20,000 people are on waiting lists for council homes or supported living accommodation.<sup>44</sup>



## Food, farming and community gardens

These models have been used to fund a number of projects based around access to fresh food and green spaces. Sutton Community Farm, a 7.1 acre smallholding in Outer London, raised £82,322 from 302 community share investors to fund a barn for their VegBox scheme and to increase the amount of educational work they can do around food production, cooking and healthy

lifestyle with school groups and colleges for young people with learning disabilities, probation services and businesses from across London.<sup>45</sup>

Food, farming and community garden projects are often combined with other assets, such as shops (e.g. Unicorn Grocery set up a separate small holding co-op which helps stock the shop with fresh local vegetables<sup>46</sup>), pubs (The Antwerp Arms has a community garden and teaches people how to grow their own food in small spaces<sup>47</sup>) or energy projects (see our case study on Energy Garden page 61).<sup>48</sup>

Photo: Energy Garden



Energy Garden



## Leisure facilities

Investment crowdfunding has been used to fund the development of a wide range of different leisure facilities, which help promote health and wellbeing in their communities. For example, Govanhill Baths New Health & Wellbeing Centre raised £265,800 from 557 community share investors to redevelop an Edwardian bathhouse, as a new Health and Wellbeing Centre, in Scotland's most diverse neighbourhood, and one of the most deprived areas in Scotland.<sup>49</sup> The bathhouse closed in 2001 and since then physical exercise in the community has significantly declined. The new facility aims to help combat this with the reopening of the pool and the creation of a state-of-the-art Gymnasium alongside a Turkish suite, cafe, meeting rooms and a multi-purpose arts space and venue. Also see our case study on Projekts MCR skatepark on [page 39](#).



## Heritage

For many of the examples mentioned above, the history and preservation of a building itself is important, but not the main purpose of the project. For others, heritage is the aim of the project. For example, Shotley Heritage Community Benefit Society raised £35,425 from 163 community share investors to restore a Victorian railway pier for community use.<sup>50</sup> Also see our case study on Hastings Pier on [page 64](#). And it's not just for historic buildings. Vintage Trains Community Benefit Society, for example, raised £800,000 to create a train operating company, specifically to run express steam and heritage diesel trains regularly on the main line.<sup>51</sup>

Photo: Energy Garden



Energy Garden



Case study

# Headingley Development Trust



Location:	North West Leeds, Yorkshire
Organisation status:	Community benefit society <sup>52</sup>
Governance model:	Membership organisation (board, democratic membership voting, project groups, committee with investor representation <sup>53</sup> to oversee new fund <sup>54</sup> ).
Financial model(s) used:	Community shares (2007/2008: £105,805 raised from 295 investors; 2018: £481,843 raised, from 258 investors, £100,000 from Booster Fund).

The Headingley Development Trust was founded in 2005 with the overarching aim of carving out space for the local community in an increasingly transient population.<sup>55</sup> The first major project (Headingley Enterprise and Arts Centre – HEART) was to restore and extend an old primary school building – on a 125-year lease from the local authority – as an enterprise and arts centre.<sup>56</sup> The new facility which opened in 2011 has rooms for hire, a co-working space and cafe, and runs events and exhibitions, all without any grant support.<sup>57</sup> As there was no public funding available to restore the building and set up the various spaces within it for community business, the group's original fundraising campaign raised £105,805 through community shares; this triggered substantial investment from other sources including Leeds City Council and Adventure Capital Fund. The Trust also runs a number of related initiatives such as the provision of affordable housing, the Headingley Farmers' Market and independent film screenings.<sup>58</sup>

In 2018 the Trust decided to raise a second round of community shares, this time to create the Headingley Investment Fund, designed to support other projects to be run by Headingley Development Trust itself (with a focus on enterprise and housing) and re-finance the loans on the HEART building.<sup>59</sup> £481,843 was raised on an online crowdfunding platform<sup>60</sup> from 258 investors (investors get 2 per cent interest per annum), supported by £100,000 from the Power to Change Booster Fund.<sup>61</sup> Investment automatically gives membership of Headingley Development Trust. All investments made by the fund need to give an overall 3 per cent return, which enables the 2 per cent to be paid to investor members.

This may be the UK's first local investment fund which is set up for flexible use, rather than for one specific project.<sup>62</sup> With the rearrangement of previous finance and creation of the new fund, the organisation has given itself the opportunity to be fleet of foot and react to potential opportunities quickly when they arise, such as purchasing a house or a shop, both of which the Fund has enabled since its creation.

We saw the opportunities out there. If we had the flexible money, we could start intervening in ventures that also give something to the community.

Helen Seymour, Chair, Headingley Development Trust

To keep itself rooted in the community it supports, the organisation has a governance structure which provides opportunities for members and volunteers to contribute to decision-making either on the board or more practically in a working group with a specific focus e.g. the farmers' market. Board members are involved or take the lead in many of Headingley Development Trust's ventures, increasing approachability and transparency across the organisation. Members are embedded in the decision-making processes with open meetings and all members of the trust (whether investors or not<sup>63</sup>) are encouraged to take part in the activities and decision-making processes of the society.

Photo: Headingley Development Trust



Headingley Farmers' Market



## Crowdfunding community investment around the UK

While crowdfunding community investment is happening all over the country, there is significant variation in levels of activity across different regions. For example, in community shares between 2015 and 2017, the South East was home to 20 per cent of all offers and the South West 18 per cent,<sup>64</sup> compared to the North East which was home to only 1 per cent of offers and the East of England which hosted about 2 per cent. The high numbers of projects happening in some regions, compared to others, is driven in part by the favourability of weather conditions to renewable energy projects,<sup>65</sup> and also by a tendency for community investment crowdfunding to happen in communities which have already been involved in similar projects in the past from which they can learn. For example, particularly concentrated pockets of activity can be observed around Bristol, Oxford, Manchester and Barrow-in-Furness.<sup>66</sup>

Only 6 per cent of offers have taken place in London, despite the capital being home to 13 per cent of the population.<sup>67</sup> By comparison 9 per cent of offers took place in Wales which only covers 5 per cent of the UK population. The relative lack of community share activity in London is particularly interesting considering it has the highest levels of activity for most other crowdfunding models such as equity crowdfunding for startups and peer-to-peer lending.<sup>68</sup>

Particular barriers to crowdfunding community investment in the capital may include finding a diverse group of investors (that represents the community in which the project sits), transiency of populations,<sup>69</sup> high land prices, lack of a sense of community, disengagement and differences in the type and level of motivations of different generations to invest conflicting with other factors (e.g. parents may wish to invest for their children's future in the local area, but if young populations are more transient, they may not remain in the area, so the investment may not be made – as they are also less likely to invest themselves).

Photo: Portland Works



Portland Works

## Five elements of crowdfunding community investment

While the focus, scale, and type of investment varies across projects and the context they are set up in, there are five key elements that need to be in place for any crowdfunded community investment:

### 1 A project: what you are going to do.

This is the purpose of the group coming together and the finance being raised. An individual or a group has an idea to make a change or create something new. Their vision translates into a practical goal, which defines the project. For example, a group of neighbours may have a vision of clearing up an area of wasteland in their local area. The project is to create a community garden. To require crowdfunding investment, there must be a need for fundraising to achieve the goal (e.g. the group needs to purchase the land, equipment and plants).

### 2 A community: who is going to use, support and benefit from the project?

At the heart of this type of project is a group of people who support work towards the goal, financially (e.g. by investing) and otherwise (e.g. by volunteering). A community can take different forms, which is explored below.

### 3 An investment model: how you will get it up and running.

The group has to choose an investment model to raise the funds that their project requires (e.g. community shares, bonds etc.). There are various possible forms of community investment, which will normally be combined with other funding (e.g. grant, donations, loans) to enable a project.

### 4 A sustainable business plan: how you will keep the project running.

The group needs to have an idea of how they will provide the costs of running the project on a day-to-day and year-to-year basis. That might be through trading, or volunteer labour and commitment, or grants (and usually a mixture of all of these).

### 5 A governance model: how you will make decisions.

The group has to create a structure for decision-making around the project, and the role of the community in this. This may be partially defined by the type of legal structure or financial model used.

Combining these elements it is possible to look at the community as an investor and the community as a decision-maker.



Case study

The Bevy



Location:	Brighton, South East
Organisation status:	Co-operative/community benefit society
Governance model:	Membership organisation
Financial model(s) used:	Community shares (£70,000, <sup>70</sup> over 700 shareholders <sup>71</sup> )

The Bevendean Community Pub (The Bevy) was closed down due to antisocial behaviour in 2010<sup>72</sup> but given a new lease of life through community ownership, reopening in 2014.<sup>73</sup> It is the first co-op pub on a housing estate in the UK and was saved through a campaign which focused more on ensuring a large number of people in the community were able to invest than maximising the amount individuals each put in.<sup>74</sup> At the launch night in the local church hall, 150 people came and bought community shares starting at ten pounds, raising £2,000 in one night.<sup>75, 76</sup> In total the group raised £70,000 through conversations on doorsteps across the housing estate, leading to The Bevy having the most shareholders of any co-op pub in the country.<sup>77</sup>

Their landlord is the East Brighton Trust,<sup>78</sup> which gave two years of rent-free use of the building<sup>79</sup> and has continued to work with The Bevy so that both organisations can fulfil their mission to improve the lives of residents of East Brighton. They have foregone their annual rent each year based partly on encouraging The Bevy to establish itself and become sustainable, and partly on the

local partnership to encourage communal activity on the estates.

Community consultation in 2013 set out the tone for the project which is 'not a business, a group of citizens off the same streets'.<sup>80</sup> Volunteers helped fix up the space and still do a range of tasks such as maintenance (Friends of The Bevy)<sup>81</sup> and driving the minibus to local football matches.<sup>82</sup> The Bevy is much more than a pub, performing a role as community centre too. They want it to feel like a front room,<sup>83</sup> so it has a community kitchen,<sup>84</sup> provides meals and has room for local community groups to hold meetings.<sup>85</sup> In line with its ethos, the Bevy is a Living Wage Employer and is now making a profit.<sup>86</sup>

Their grassroots network has gained them the support of local institutions such as the nearby church<sup>87</sup> and the Harvest and Brighton Permaculture Trust, who helped fund their (edible)<sup>88</sup> community garden.<sup>89</sup> The Bevy believes that there is scope for even more collaboration with local government,<sup>90</sup> as they play a role in looking out for the welfare of vulnerable populations within the community.

Because of the number that pledged to take part, it attracted the attention of social investors, the council, the police and social departments – because it's better to bring people together than for them to be alone.

Iain Chambers, Community Projects Manager, The Bevy pub

The Bevy has been a success, but it wasn't without challenge. The founders knew that to avoid bank loans, it would be a lot of work to raise the community shares in a less affluent area than most community pub projects.<sup>91</sup> In a film about the project, they raised questions around the accessibility of grant processes if you don't have retired experts on your board to fill in the

forms, or the ability to take time off work to go to workshops in London.<sup>92</sup> The board recognised early on that having a good governance system would be key to achieving their goals and avoiding costly mistakes, and used grant funding to invest £10,000 in governance training to have better oversight and understanding of liabilities.

Photo: Bevendean Community Pub Ltd.



The Bevendean Community Pub (The Bevy)

Photos: Energy Garden



Energy Garden

## The community as an investor

At the heart of crowdfunded community investment is the basic concept of giving people an opportunity to put money in to ideas and projects they care about. With crowdfunded community investment, investors have the opportunity to get their money back (often with interest) if the project does well, meaning they have a financial stake in the success of the project. This makes it different from donations-based and rewards based crowdfunding where backers 'only' get non-financial benefits such as a thank you, tickets or a gadget in return for their investment.<sup>93</sup>

Investment also differs from the membership fees often charged by co-operatives or community groups on a monthly or annual basis, because while paying fees may come with similar rights as an investment, such as voting rights, fees are not returned to those paying them in the future.

## The investment crowdfunding process

Crowdfunding is a process which is generally associated with the use of an online platform to source funding from the public for a specific project or business idea. However, some projects which have crowdfunded investment from their community have done so without the use of a dedicated platform, typically to save on the costs associated with using a platform (platforms tend to charge a percentage fee of the total amount invested) or because they do not believe that their target community has the required level of digital skills.

Nevertheless, most projects do choose to use a platform to crowdfund community investment, due to the advantages that come along with having a dedicated purpose-built online space where fundraisers can explain what their project is about, the timescales involved, how much money is needed and what funders get in return. Platforms can also make the process simpler by supporting setting up and running the offer (such as by managing payments), enabling easy display of the running total raised so far, and helping projects potentially reach a wider audience.

While the steps themselves may take on different forms depending on the type of project, the type of investment and which platform or fundraising tool is being used, the typical process for crowdfunding is set out below:<sup>94</sup>



## The investment crowdfunding process

### 1. Pitch

- Organisation sets up its crowdfunding project team and their idea is developed.
- Projects need to show that they have support for their project idea (and the stronger supporter community they have built in advance of the offer going live, the better), how the investment will be used and how it will generate enough income to sustainably deliver the change promised by the community group. If the project is raising investment (as opposed to taking donations) they will have to decide which type of investment instrument they want to use (e.g. community shares or bonds), any match funding or other institutional support they will apply for and produce a business plan showing how it will generate enough of a surplus to repay investors.
- The group plans the campaign, working out who the project will appeal to, map likely supporters and how to reach them, and begin 'warming up' their supporters.

### 2. Screening

- Platforms generally have some process of screening projects to ensure they meet the platform's criteria (such as basic screening only allowing legal activity, a level of due diligence undertaken by the platform and relevance for its investor community). If not using a platform, there are no specific checks on what a project can offer for investment, though regardless of whether you're on a platform or not, Financial Conduct Authority (FCA) regulation applies to certain types of investment funding.<sup>95</sup>

### 3. Pitch goes live

- When a project is made available on a platform, the community is normally provided with a description of the project (typically accompanied by a video or image), the funding target, the time frame to reach this target, the amount of funding the project has already received, or could receive through match funding and what investors can expect in return (terms, votes, interest etc.).

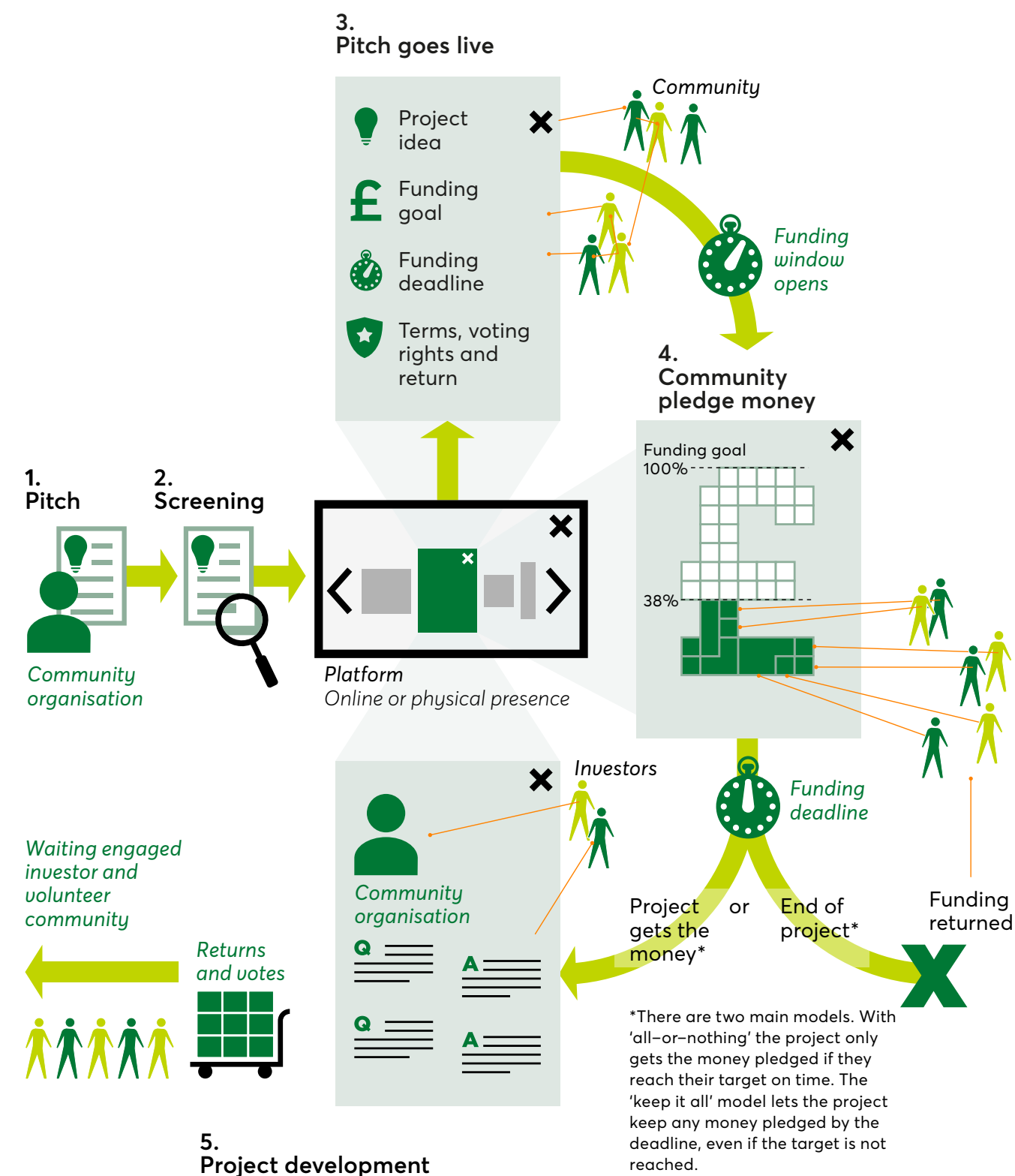
- For projects which don't use a platform, they are likely to still use some digital tools – commonly a webpage, video and social media posts. Physical sharing of the offer may occur in the form of meetings, posters, announcements to existing community groups and door knocking in the local area.
- Projects need to develop momentum quickly – it's not just about convincing people that the project is a good one, but also that it will succeed. Having people ready to pledge as soon as the project goes live (or before, ideally) helps give people the confidence that the project has a real chance of happening.

### 4. Community pledge money

- In the platform model, the offer stays open for a set amount of time. At the end of this time there are two possibilities – if it's a 'keep it all' model then the project keeps whatever has been raised, if it's an all or nothing model, the project will only take the pledged investments if it has reached its target (including any match funding). It is possible for an extension to be granted if the platform and project see the potential in doing so. Offline campaigns normally will still have a target end date of the campaign, but this may be less stringently imposed compared to on a platform. Combination campaigns will use a mixture of online and offline promotion methods during this period (and may direct people to either method of investing dependent on their circumstances).

### 5. Project development

- Fundraisers use the money they have raised to progress the project (in line with the business plan) and any interest will be given at a defined point in the timeline. However, with community investment, in most cases, comes a democratic say in the organisation, so the link between project and investor is maintained beyond the initial fundraising period. How deep this involvement is will depend on the governance and engagement methods put in place by the organisation.





## Types of financial instruments

There are several different types of investment (or financial instruments) that community-led initiatives can use to get investment from their community. Financial instruments are effectively contracts in which an investor makes a payment of cash to an organisation in return for receiving certain rights which last as long as the investment remains in that organisation. Financial instruments also have a price paid to their providers – this is either the rate of interest for debt, or the returns paid to equity investors. Investments can be broadly broken down into two categories: equity and debt.

### Equity-based investments

An equity investment is money invested in an organisation through the purchase of its shares, in which the investor exchanges their money for an ownership stake in the organisation. That in turn is normally accompanied with rights to participate in the decision-making of the organisation, and some rights to receive a financial return from the organisation's funds. Equity investments are created under and governed by an organisation's governing document, which is in turn framed by specific legislation (company law for companies, society law for societies).

Financial returns to investors in companies can come from dividends paid out of post-tax profits or from selling the share at a price higher than it was bought for. The former is conditional on the company actually having profits and the latter is dependent on finding a buyer prepared to pay that price.

In societies (e.g. co-operatives or community benefit societies), shares are usually withdrawable, meaning that they can't be sold, only repaid to investors by the society. Shares can have interest paid on them annually, but both are, as with companies, dependent on the financial performance of the organisation. If performance is not going as planned, this can result in investors not making any financial return from the investment and losing some or all of their money.

In either case, equity returns are generally higher than they are for debt because, typically, equity investors stand a smaller chance of getting a financial return. Equity holders can only receive dividends if the business is successful, and if the organisation goes bust, they're at the back of the queue after people who have lent money to the business.

To compensate for their returns being conditional on an organisation's financial performance, equity holders have a say in the way the organisation is run through voting power at meetings and over who gets to sit on the board of directors. The power given to investors is generally either on the basis of 'one investor, one vote' basis (as in community shares), meaning that all investors have the same amount of say regardless of how much they invested, or 'one share, one vote' (less commonly used in community investment), meaning that larger investments give more power in decision-making; the latter is the norm in companies, but the former is required in societies.

## Debt-based investments

Debt-based investments involve lending money to an organisation on the basis of an agreement by the organisation to repay it (with any interest) at some point in the future, regardless of circumstances. They are in effect IOUs and whilst the company's performance will ultimately determine whether the debts can be repaid, they are legally obliged to be repaid; if they are not, the insolvency law gives lenders (known as 'creditors') significant power to recover their debts via the legal process. As a result of this, loans are seen as a less risky investment.

The key features of a loan are:

- The rate of interest (i.e. the cost of the debt) and when this cost will be paid.
- How long before the loan is due to be repaid, and how it is repaid (over time, a single payment at the end etc.).
- The security the lenders have as collateral (i.e. what assets they have rights to seize in the event of loans not being repaid).

Unlike equity holders, creditors do not generally have the right to influence the company via the enterprise's internal governance though sometimes lenders might take a seat on the board of an organisation as part of the arrangement.

There are several different types of both equity and debt, which vary in terms of the organisations that can offer it, the decision-making powers that come with the investment, the interest or dividends they pay (return on investment) and how the investment itself is paid back (return of investment). The table on [page 27](#) summarises some of these key features. Community shares and bonds are best suited to crowdfunding for community and socially focused projects and are therefore the main focus of this paper. However, loans and company shares crowdfunding are also included in the table to illustrate the differences between the models.

Photo: Projekt Skatepark Ltd.



Projekt Skatepark Ltd.

	Organisations who can use model	Investors decision-making rights	Return on capital – the costs paid to investors	Return of capital – how do you get your original investment back	Example crowdfunding platforms	Average crowdfunding campaign size
<b>Equity-based</b>						
<b>Community shares (AKA Withdrawable shares)</b>	Co-operative Societies; Community Benefit Societies (CBS); Charitable Community Benefit Societies	One member, one vote	Interest capped at a rate no greater than that required to secure the investment and declared in advance, paid before tax; society has right to not make payments in event of poor financial performance	Withdrawal (able to take the money out) providing society has sufficient post-tax reserves and is in net positive value or has introduced new capital	Crowdfunder Ethex Fundsurfer	£185,000 average investment raise (with average target of £400,000. <sup>96</sup> However, the typical campaign size varies from tens of thousands to a few million depending on the type of project)
<b>Company Shares</b>	Companies Limited by Shares	Usually one share, one vote	Dividends payable after tax, provided company is profitable	Can be bought back by the organisation under certain conditions (known as 'redemption'; Can be sold to third parties (sometimes requires permission of board);  Can be bought back under certain conditions	Ethex Seedrs Crowdcube Fundsurfer	£807,000 <sup>97</sup>
<b>Debt-based</b>						
<b>Bonds and Debentures</b>	Societies Companies Limited by Shares Companies limited by guarantee Charities LLPs	No voting power	Usually have interest paid periodically over the course of the loan period	Usually tradable to third parties;  Set date when bond 'matures' and is paid back by enterprise	Ethex Abundance Triodos Crowdfunding Fundsurfer	£1.39 million <sup>98</sup>
<b>Loan (e.g. Peer to peer lending)</b>	Societies Companies Limited by Shares Companies limited by guarantee Charities LLPs	No voting power	Usually repay elements of interest and principle on a periodic basis until end of loan period	Can be bought back by the organisation under certain conditions (known as 'redemption'; Can be sold to third parties (sometimes requires permission of board);  Can be bought back under certain conditions	Funding Circle Thincats	£95,000 <sup>99</sup>

## The community as decision-maker

Alongside raising financial investment from the community, fundraising can be a way to engage people in the project's governance and decision-making structures. This includes giving individuals meaningful opportunities to be part of, and often directly responsible for, everything from day-to-day decisions to long-term strategic discussions.<sup>100</sup> Designing an effective governance system is not just about the smooth running of the organisation, but can also be used as a tool to embed inclusion and diversity in the project's strategy, decision-making and implementation.<sup>101, 102</sup>

For some models of crowdfunding community investment (e.g. community shares) shareholder involvement in governance is a legal requirement. For others this is not the default, but there is still often an expectation that the community's involvement goes beyond their financial contributions. Chapter two explores the opportunities in community involvement in governance in more detail.

Below we discuss the different legal entities, methods and organisational structures that enable community governance and how these are connected to different models of crowdfunded community investment.

### Community group stakeholders

The governance structure of a community organisation typically involves four key stakeholder groups.

- **Shareholders:** as the owners of the entity, the community of shareholders (including both individual and institutional investors) are the key stakeholders. This group have legal rights and are also likely to feel a sense of responsibility over the project and/or a right to be part of decision-making.
- **Volunteers:** a key advantage of community ownership is that you have a ready-made body of individuals and groups who have a shared interest in the success of the project and come with a range of skills, backgrounds and experiences. They want the project to succeed and so are likely to be willing to take on volunteer roles to contribute to this. Volunteers can play a role in all levels of governance in an organisation, but it is up to the organisation to provide the frameworks for this.
- **Users:** the people who use the building/service/activity have a primary interest in it working to the level of their expectations. As users they have a vital view of the project from their experience using it, and so can provide useful feedback on the end product or service. Their involvement in governance will be determined by the organisation.
- **External stakeholders:** alongside those with an active role in the project, good relationships with the wider community of external stakeholders such as local businesses, local authorities and funders can help the project beyond investment. The skills and expertise here can be a beneficial input into decision-making, and providing space for these groups to be involved in governance can equally provide legitimacy to the project, as well as development of longer-term mutually-beneficial partnerships with institutions.



Photo: Portland Works



Portland Works

## Governance structures

There is a wide range of different governance structures and processes which can be used, and a whole body of research on the best ways in which to structure organisations,<sup>103</sup> as well as a range of emerging tools embracing lessons from digital democracy models.<sup>104</sup>

Many of the most innovative methods to engage and empower a diverse community within project governance are not specifically required by the legal frameworks of organisations. These can therefore be applied in flexible ways across a range of organisations.

## Three common types of governance models

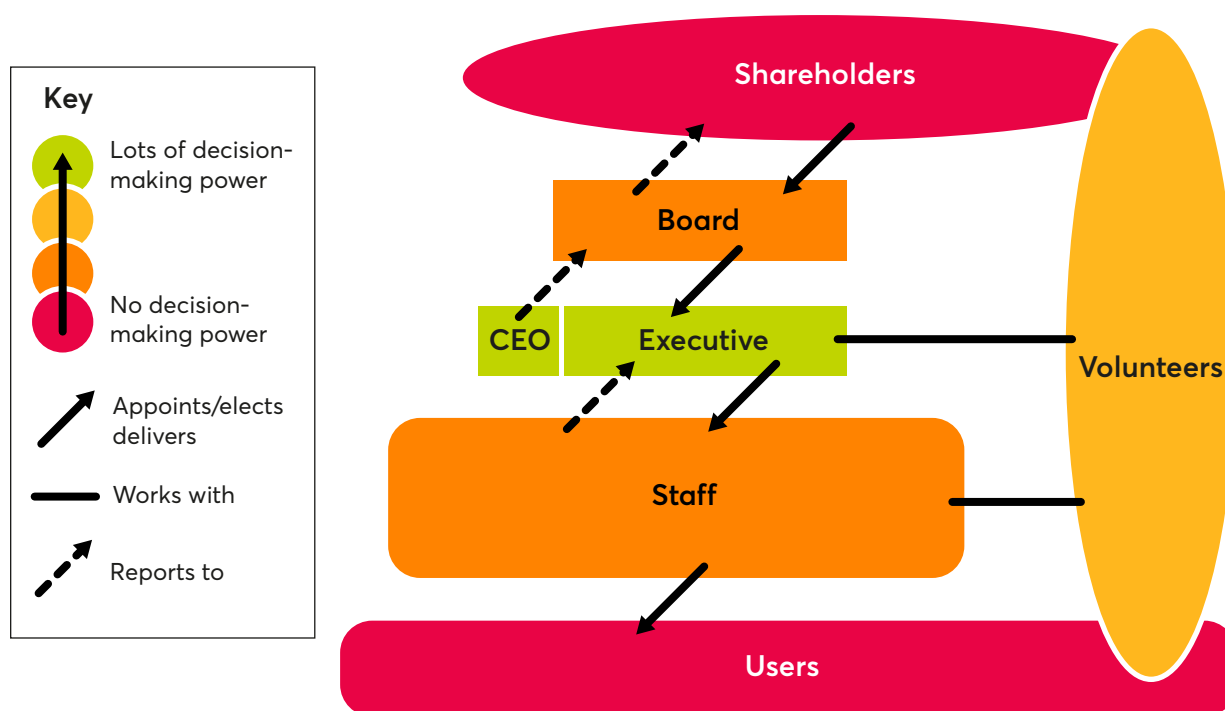
Below we explore three of the most common models for governance of community projects. For each model we set out a compatible legal form(s); features of the model and its approach to stakeholder involvement.

The diagrams highlight the amount of decision-power afforded to each group in the model, and the relationships between the different groups. These aspects will in turn influence the culture and ways of working of the organisation. The chosen structure may also have an effect on the diversity and longevity of community engagement. The key spectrums explored across the models are: hierarchy vs. flat structure, open participation vs. expert focus, delegation vs. collaboration.

These three examples give an introduction to the types of approaches to governance that can be taken. However, it is up to the individual organisation to create a structure which fits their context and ethos, and these examples are not the only options. See page 43 for a discussion of the process of choosing a model, with case study examples and exploration of the advantages and disadvantages of each.

## Traditional model

The 'traditional model' is taken from the standard hierarchical corporate governance model<sup>105</sup> and slightly adapted to a community setting. Technically the shareholders sit at the top of the hierarchy, but in practice the executive often exhibits the most control over the organisation (alongside volunteers closely involved with the day-to-day), with official decisions being made by the board. This is often seen as an easy model to set up, which minimises micromanagement by shareholders, and has no direct involvement from users.

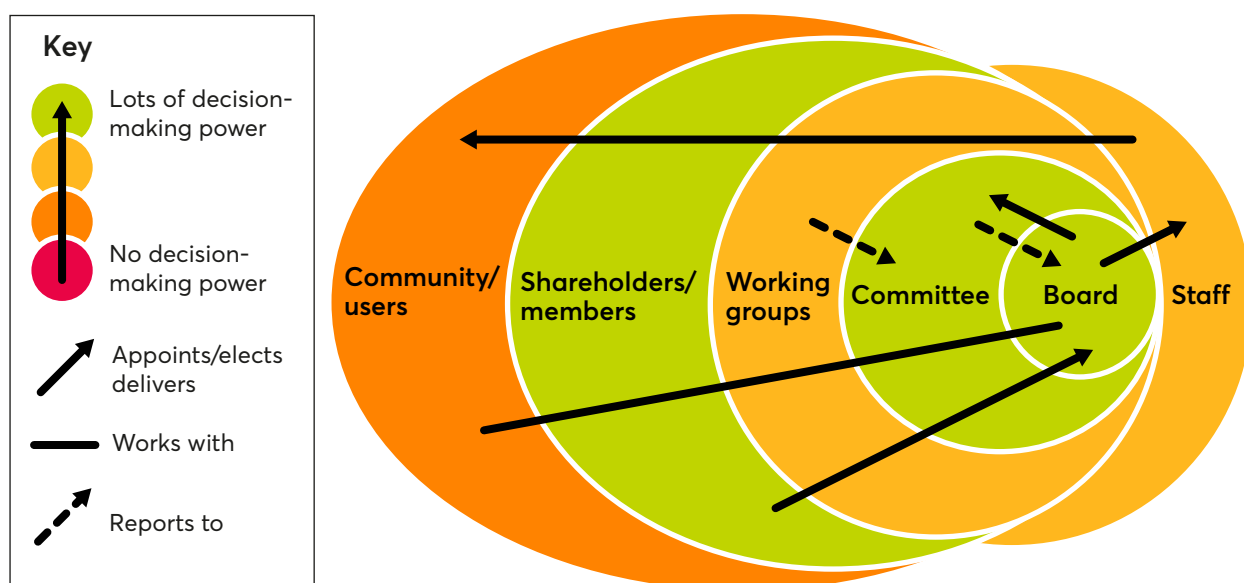


<b>Legal form(s)</b>	Community benefit society, community interest company
<b>Features</b>	Top-down approach, strategic power lies with board; operational power lies with staff; minimal shareholder input, unusual to have user input
<b>Stakeholder involvement</b>	<p><b>Shareholders:</b> Minimum legally required – asked for approval on key strategic decisions; AGM; ability to stand and vote for board</p> <p><b>Volunteers:</b> limited involvement</p> <p><b>External:</b> Could be brought on to board</p> <p><b>Users:</b> none</p>



## Membership model

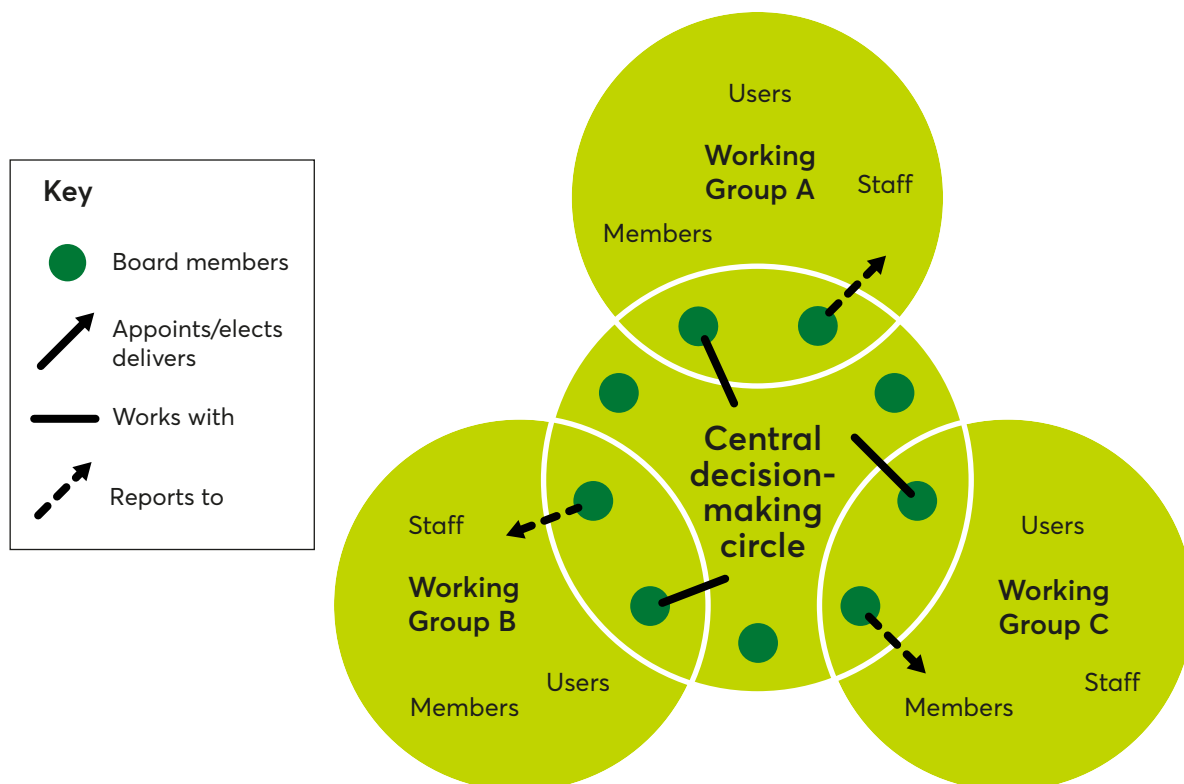
Membership (where individuals pay a small amount in exchange for a specific role/set of rights within an organisation) can exist as a form of, or alongside, shareholder investment. Often this type of organisation uses a model which sees the role of different groups such as shareholders, other members, volunteers, users and staff within an organisation as interlinked and flexible – the decision-making remit of particular groups can expand and contract as necessary (in line with legal requirements). For example, if it is considered useful to have a group overseeing a project's farmers' market, a working group or committee can be created in this structure.<sup>106</sup> For something like an event, the group can exist for a fixed time period until the event and evaluation was completed. Power is spread between the different layers of the organisation.



<b>Legal form(s)</b>	Community benefit society, charitable community benefit society, charity
<b>Features</b>	Appointed or elected trustee board which sets strategy based on member views and community need, often with sub-committees which cover delegated governance topics; mixed (member, volunteer, user, staff, shareholder) working groups report to committees on more ad hoc projects; staff appointed by board work operationally alongside committees and working groups.
<b>Stakeholder involvement</b>	<p><b>Shareholders:</b> Legal requirements plus opportunities to sit on committees and groups.</p> <p><b>Volunteers:</b> Opportunities to sit on committees and working groups</p> <p><b>External:</b> Can be brought in as members of relevant groups to contribute particular expertise.</p> <p><b>Users:</b> Can be included in committees or project groups and strategy planning.</p>

## Sociocratic model

The sociocratic model<sup>107</sup> aims for maximum engagement, collaborative working<sup>108</sup> and a dynamic, but flat, decision-making structure. In this context, each working group is made up of staff, members and users who make decisions on a particular project. While meetings are open, they have someone who reports on their work to the central decision-making circle, and someone who attends those meetings, and reports back on whole-organisation decisions to the group.



<b>Legal form(s)</b>	Co-operative, community benefit society, community interest company, charity.
<b>Features</b>	Strategic responsibility held loosely by board and central circle, operational responsibility shared between staff and members/volunteers; shareholders/volunteers empowered to find their area of interest and contribute in a way which suits them.
<b>Stakeholder involvement</b>	<p><b>Shareholders/members:</b> Actively involved at all levels, to the extent to which each individual prefers; main power lies with shareholders</p> <p><b>Volunteers:</b> Can be active in working groups</p> <p><b>External:</b> Can be included in relevant working groups or as elected members of board (if meet criteria)</p> <p><b>Users:</b> Encouraged to be part of working groups</p>

## Chapter 2

# How to crowdfund community investment

A barrier to the growth of crowdfunded community investment is the lack of guidance and advice on how the different financial models work and how organisations can get started on setting up their own projects. While primarily aimed at organisations seeking to raise funds, this chapter will also help explore how to crowdfund community investment and what projects and organisations interested in this type of finance need to consider before and when fundraising for a project. We focus on community shares and debt-based securities (i.e. bonds and debentures) as these are generally the most suited investment models for socially-focused projects. This chapter will also help local and city governments and foundations to familiarise themselves with the practical steps projects will undertake through the timeline of a project.

In this section we focus on the financial tools and governance structures that organisations raising community crowdfunded investment need to consider. There is discussion on running a campaign in chapter three, and Nesta has also developed free guides and toolkits such as 10½ Crowdfunding Tips<sup>109</sup> and Working the Crowd<sup>110</sup> for anyone considering setting up a crowdfunding campaign.

### Six things to consider before setting up a community investment campaign.

Before setting up a crowdfunded community investment, any fundraising organisation should consider (and ideally have answers to) the following six questions regarding their campaign.

- **How much do you want to raise?** Will all the money be raised in the form of investment, or will you also get grant funding? Most projects try and raise as much as possible from grants and public sources, to then look to raise the difference between what they've raised already and what they need from community investment.
- **How many people will benefit from the project?** How much could they be asked to contribute to make it happen? A large community of investors combined with a meaningful social impact benefit for them might mean that you can offer less in the way of a financial return, while still getting enough support for the project to go ahead.
- **Are there enough people in your community?** Most community investment campaigns typically get between 3 to 8 per cent of people reached by the offer supporting them. So think about how many people you would consider to be in your crowd, then divide it by 20 to work out the number of people who'll realistically get behind the project.<sup>111</sup> Then, divide the total amount you need to raise from the community by that number to get what the average investment will need to be. If it's in the region of £50 – £100, then maybe a donations or rewards-based crowdfunding campaign is possible. If it's more than that, you'll probably need to look at the specific community investment methods described in this report. Community shares, for example, average around £500 per person.<sup>112</sup> If the amount needed per person is greater than that, then you'll need more people to get behind the project. That's going to come from either a higher proportion of your crowd getting on board – which takes lots of effort and usually a fair bit of time – or alternatively, you might need to grow your crowd.
- **Are there other people outside the core community of benefit who might be supportive?** Will they be motivated in the same way, or will they need the additional promise of a financial return to encourage them to invest? If you need to attract people outside the core area benefitting (or the community of interest), then you might have to consider making the fact that your project will be able to reward investors with a financial return a key part of the pitch.
- **Will the project generate enough funding to pay its costs and leave money to pay investors too?** If the business model underlying your project isn't able to generate those returns, then you're going to need think about how you can increase the numbers of people who could benefit from your project by revisiting just what your project will do and for whom it will do it.
- **Finally, how much money have you got to support your investment campaign?** If you haven't got much in the way of upfront funds, then you should look at community shares or consider crowdfunding donations or grant funding/loans to cover startup costs.



## Selecting which financial instrument to use

One of the biggest decisions when considering crowdfunded community investment is which financial instrument to use. Key factors to consider include how the different models work; their legal and regulatory position; how to use them; who uses them; set up costs; support available; tax reliefs available; and pros and cons of each model. Below we explore each of these in more detail.

If you are unfamiliar with some of the terms used in this chapter, please refer to the glossary on [page 84](#).

### Community shares

Community shares is a 'brand' for withdrawable share capital, a specific form of equity capital available to societies registered with the Financial Conduct Authority (FCA), and not available to companies registered with Companies House.<sup>113</sup>

Withdrawable share capital has much more in common with deposit accounts than 'traditional' equity in companies. Investors' cash is held in a share account which contains the initial investment – they do not own a specific proportion of the society represented by the amount of capital they have invested as a percentage of the total share capital of the society.

Investors can withdraw their capital, should the society allow it, in the manner in which a depositor in a bank can access their funds, with the crucial difference that the society is able to refuse request to allow withdrawal if it does not have the cash available to enable this, or doesn't think it prudent to allow it.

See our case studies on Projekts Skate Park ([page 39](#)), Headingley Development Trust ([page 19](#)), GlenWyvis Distillery ([page 53](#)), The Bevy ([page 22](#)) and Hastings Pier ([page 64](#)) for examples of organisations who have raised funding through community shares.

### How it works

- Investors invest cash in the society which is registered against their name. Investors may be eligible for tax relief on the investment if the society's trade is eligible according to HMRC rules.
- The society uses the cash to develop the business, be that through acquiring a new building, renovating a property they own or investing in new staff and products.
- The society can choose to pay interest to investors expressed as a percentage of the total capital invested, but may not choose to if they believe that to do so would be damaging to the enterprise's future prospects (e.g. if they needed the cash for more urgent internal business reasons).
- The society can choose to enable investors to withdraw the investment should funds allow; the source of cash to enable withdrawal should either be post-tax retained cash surpluses, or new investment from new members.
- The investors (alongside other members) vote for the board of directors of the society and have the power to control the society through voting on resolutions at meetings.

Photos: Lewes FC



Lewes FC

## Legal and regulatory position

Withdrawable shares in societies are exempt from the regulations governing issuing securities to the public. This means that a society can produce an offer document and distribute it to the public without the need for a 'regulated person' to authorise it. As a result, societies can quickly and cheaply raise capital investment from the public. Any documents issued must be fair and accurate, and misleading statements that present a partial or incomplete picture to investors can still be subject to investigation under the 1967 Misrepresentation Act.

## Who uses it?

Community shares have enjoyed a boost in recent years thanks the support of various governments, who have funded work to promote them to social sector organisations.

The largest uptake has been in the community energy sector which is responsible for over 66 per cent of the total amount raised from 42 per cent of the total number of share offers. The bulk of these were in 2015 – 2016 when a combination of tax reliefs and feed-in tariff revenue made energy offers particularly safe and lucrative. The ending of tax reliefs and feed-in tariffs has led to large slow-down in community energy offers to a fraction of this 2016 high point, with energy falling to 20 per cent of share offers and responsible for 43 per cent of investment since 2017.<sup>114</sup>

Beyond energy, community assets represent the next largest usage category in various forms, from pubs to community shops to community hubs, arts centres and sports and leisure facilities which are responsible for 63 per cent of offers since 2017, raising £10 million in that time, matched by additional funding of £7.5 million.<sup>115</sup>

## Cost of setting up the offer

Because community share offers are unregulated by the FCA, they are, in most cases, cheaper to run. Costs vary depending on the ability of the group to undertake the various tasks that are required (engagement with the crowd, preparing business plans and offer documents etc.), but are generally in the mid-to-low thousands, this does not include additional costs such as design and print of offer documents and production of videos for crowdfunding pages, all of which resourceful groups can usually find ways to access at discount rates.

## Support available

There are currently various examples of support strands available to assist groups wanting to undertake share issues:

- **Reach Fund**<sup>116</sup> – up to £15,000 of grant support (England only).
- **The Hive**<sup>117</sup> – up to eight days of consultant support (UK wide).
- **Power to Change Starter Fund**<sup>118</sup> – £6,000 matched grant funding against early-stage crowdfunding to support share offer development (England only).
- **Power to Change Booster Programme**<sup>119</sup> – up to £10,000 grant support for share issues in which the Booster fund proposes to match investment in the share issue (England only).
- **Power to Change Bright Ideas Fund**<sup>120</sup> – eight days of support and up to £15,000 in grant support to support developing community businesses, including developing share offers (England only).

## Tax reliefs

There are several government schemes to encourage more investments by offering investors generous tax breaks which effectively reduce the cost of investing.

- **Seed Enterprise Investment Scheme (SEIS)** – 50 per cent tax relief for the first £150,000 raised for new businesses.<sup>121</sup>
- **Enterprise Investment Scheme (EIS)** – 30 per cent tax relief for £5 million raised for businesses under seven years old.<sup>122</sup>
- **Social Investment Tax Relief (SITR)** – 30 per cent tax relief for up £1.5 million raised in organisations under seven years old, c. £300,000 for those older than that, asset locked or charitable community benefit societies only.<sup>123</sup>

## Community Shares Standard Mark

The Community Shares Unit created the Community Shares Standard Mark in 2015 as a set of good practice standards for those in the sector issuing community shares offers.<sup>124</sup> As there is no statutory regulation, the Mark offers a voluntary opportunity for community organisations to check that their offer document, application forms, business plan and governance document meet best practice standards and to agree to a

code of practice, following an assessment by a licensed practitioner.<sup>125</sup> However, it is not a form of professional due diligence,<sup>126</sup> as it focuses on the process rather than the content of the offer. It is hoped that the Standard Mark will raise standards and boost both public confidence in offers that receive it, as well as potential institutional support. One hundred projects have so far gone through to achieve the Standard Mark.<sup>127</sup>

## Pros

- The average investment is in the region of £500 per person,<sup>128</sup> more than ten times higher than donation or rewards crowdfunding.<sup>129</sup> As a result, it can help groups raise significantly larger sums from their community.
- The equity contribution can demonstrate to grant funders that there is strong support for a project, and a robust governance model in place, both of which can be important factors making them likelier to add their funding to the mix.
- Withdrawable share capital investments can be eligible for lucrative investment tax reliefs.
- The costs of undertaking a community share issue are much lower compared to other methods raising finance from the public because the activity is not subject to regulations on financial promotions.
- Societies are in control of whether returns are paid to investors, and whether investors can have their capital returned to them.
- The equality within the democratic nature of the society often feels like an appropriate structure to own and operate assets with a public character (especially when underpinned with an asset lock).
- This in turn can mitigate potential conflicts between providers of finance and community users; providers of finance are merely stakeholders, rather than the most important stakeholders; so, should business plan assumptions turn out to be incorrect, the tensions between finance providers and users/customers can be managed, rather than become destructive.
- Shares cannot be sold to third parties, and can only be withdrawn at face value, which removes the pressure to sell assets in the context where the asset value rises faster than revenue-generating power of the society.
- Liquidity is provided for as a function of both the investment from new members and from retained post-tax surpluses.
- Because interest paid on investment is paid as a cost of capital, the company need not first be profitable before returns to investors can be made (though FCA regulations are clear that the society has to be able to afford the interest paid).

## Cons

- The quasi-debt, quasi-equity nature of community shares makes them an unusual concept which can sometimes be difficult to conceptualise, especially to high-net-worth investors unused to it.
- The inability to give larger investors a greater influence over governance risks disincentivising some investors, especially if they are more active investors who will only invest if they can be proportionately involved to ensure their investment is used well.
- Founders and leaders of social sector enterprises can sometimes find the need to cede some control and authority to a board elected by ordinary members a negative.
- The ability of boards to stop making returns can be tempting. However, this can stop new members joining as they know how little return they will actually get, which in turn reduces the ability to enable existing members to get their money back using the new funds introduced by the new members.
- If societies are not making the membership offer attractive (which may involve returns but also engagement in the operations of the business above and beyond the formal governance rights) then new capital is not introduced, and so the only way in which existing shareholders can have their capital returned is through the post-tax surpluses the business has built up from trading activity. However, as the business model of many community investment-seeking enterprises is often quite marginal, generating surpluses of sufficient scale to enable return of capital to investors in anything sooner than the very long-term is likely to be a challenge.
- The society form is comparatively more rigid than is possible with companies; it is possible to 'hack' it to incorporate governance innovations, but to do so requires engaging advice from the comparatively smaller number of legal practices that have sufficient knowledge and understanding of society law.
- The lack of capital gains can impact on the types of investors to whom community shares may attract and the level of investment that might be received,
- By the same token, the relative rarity of the society form means that organisations with whom a society must engage might struggle to comprehend the legal form, be they banks, professional advisors, local authorities or grant funders, and ultimately the general public.

For more information on setting up a community shares offer see *The Community Shares Units Handbook*.<sup>130</sup>



Case study

# Projekts Skatepark



Location:	Manchester, North West England
Organisation status:	Not-for-profit co-operative and community benefit society
Governance model:	Traditional/Membership organisation
Financial model(s) used:	Community shares (current total: £132,194, 70 shareholders <sup>131</sup> )

When you arrive at the site under Manchester's inner ring road, Projekts MCR looks much like any other skatepark, but beyond the ramps, it also acts as a community centre for a whole range of local groups. They recently set out plans to expand the park further under the motorway, increasing ramp area as well as creating a community space and the city's first skate cafe.<sup>132, 133, 134</sup> They hope that these developments will increase revenue, ensuring the longer-term financial sustainability of the park. The overall project is set to cost £602,149<sup>135</sup> with £132,194 coming from community shares investors, alongside grant funding from Sport England,<sup>136</sup> Co-operatives UK,<sup>137</sup> The Community Shares Unit's Booster Programme<sup>138</sup> and The Veolia Environmental Trust.<sup>139, 140</sup> Investors got rewards such as branded t-shirts or a ramp named after them and Projekts plan to offer investors 4 per cent interest on their investment each year after year three.<sup>141</sup>

Most of their 70 investors are users of the skatepark (or their parents), but a pizza restaurant saw links to their brand image (their logo was designed by a skateboard company), and the local council signposted Projekts to one of their biggest investors: a local community trust on the other side of Manchester. One investor shared their

experience of feeling listened to as investors as well as customers. With the funding in place, the team are now looking for the best way to engage shareholders in their co-operative governance going forward.

With community shares there is a benefit for the community and indirectly for the skatepark. They're not just in it for the money, it's about people supporting the project. Others fail – here it's people that are making the difference.

A Projekts MCR investor

Photo: Projekts Skatepark Ltd.



Projekts MCR Skatepark

In 14 years, Projekts has worked with over 20,000 people to develop their confidence and regenerate places through skatepark activities.<sup>142</sup> Its community activities focus on underrepresented groups, such as classes for girls and women,<sup>143</sup> with their participation up from 160 visits<sup>144</sup> in 2012 to 3,755 in 2018.

Projekt's community is committed to the success of the project, as they see the social benefits – providing children and adults opportunities to come together, learn, exercise and build confidence. They teach young people ways of working that would benefit any community; as the users physically move around the space, they are constantly aware of those around them, learning to give space and work together to maximise everyone's experience. They've also spruced up neighbouring outdoor space with a local group.

The wasteland outside the park was re-used and planted. Projekts don't have to do this – they're not just a business, they go above and beyond what they have to do.

A Projekts MCR investor

Overall, the community shares route has provided several advantages for Projekts: demonstration of community support, new co-op members and the peace of mind that comes with being financially more sustainable. However, they recognise the resources required to check the feasibility of a project and get the right skills in place to make it happen and would like to see more support to access people's untapped potential and develop this with each project.

How do you assess the value of a project to get the resources for it to go ahead? Spending time going to other projects can give a good gauge of what you need, but it shouldn't just be down to the skills that you happen to have to start with.

John Haines, Managing Director, Projekts MCR

## Community bonds and debentures

Bonds are a relatively unexplored part of the community investment world. Because of the flexibility that governs what are in effect private arrangements between investors and investees, terms used to describe debt investment are imprecise; some things that are described as debentures other people might call bonds, and vice-versa. In general, in the UK, debentures are secured against a company's assets, giving the holders of the debenture the right to seize control of the asset. So, the section below has a health warning that nearly every statement should be prefixed with 'usually' or 'normally' and that counter examples can be found.

Projects which have raised funding through crowdfunded bonds include Coigach Community Interest Company which raised £1,750,000 to build a wind turbine to support a community in the Highlands of Scotland,<sup>145</sup> and The Southville Community Development Association which raised £560,000 (£280,000 through crowdfunding and the rest from Big Society Capital) in order to create places for 54 additional children at The Chessel Centre Nursery.<sup>146</sup> Another example is Broadband for the Rural North (B4RN) raising finance through a crowdfunded bond following community shares issues.<sup>147</sup> Also see our case study of Energy Garden (page 61).

### How it works

- An organisation will invite investors to lend to it at a fixed rate of interest (the coupon) and maturity date (when it will be repaid). Investors will accept these terms and collect the interest until the bond matures and they are repaid.
- Debentures secured on assets (where the asset sale will be used to pay back if the company defaults) will have the existence of the debenture holder's right to seize assets registered at Companies House (this is so people dealing with the organisation in future – especially potential lenders – can see that the assets are already secured).
- The debt will usually be transferable so investors who wish to cash in earlier can do so provided they can find someone able to buy it. At this juncture, the underlying health of the business will be crucial – if the business looks like it might struggle to repay the principal amount and/or make interest payments, then the ability to sell them will be restricted.

### Legal and regulatory position

As many organisations seeking to take on debt will either be community benefit societies or charities (or similar) issuing debt wouldn't require an authorised person to sign off on a prospectus. However, unless the organisation is also a co-operative or community benefit society, any communications promoting the bond will require sign off by a regulated person.

### Who uses it?

Institutional lenders or individuals can provide debt to organisations. The largest use of individual-provided debt are bonds in the community energy market to fund installation of wind, solar and hydro generating projects, often requiring significant seven figure sums. Amongst other things, it has also been used to fund several social housing projects<sup>148</sup> and sports clubs.<sup>149</sup>

Photo: GlenWyvis Distillery Ltd.



GlenWyvis Distillery

## Loan stock

A smaller market has been shown in providing loan stock to co-operatives. Because co-operative society members must be in an economic relationship with the enterprise, worker-owned co-operatives which seek outside finance are precluded from equity. However, the lack of assets such businesses have also rules out much 'traditional' debt finance, and so they have found drawing on the capital of supporters of the business in the form of individual debt is a

successful and well-worn path. Such debt is not secured, and is not transferable, and tends to pay in the region of 3 per cent to 5 per cent annually with the interest payment usually rolled up with the final payment, usually after three or five years. It is often refinanced by more debt from institutions, who are happier to lend once the business has shown that it is providing products or services for which a market has been shown to exist.

## Cost of setting up the offer

Costs vary depending on the complexity of the share issue, and the preparatory work necessary; costs start at around £15,000 for regulated person sign-off of communications relating to the bond offer. Intermediary organisations might act as market-makers, introducing your company to high-net-worth investors, taking a percentage of sums invested, and an upfront fee.

## Support available

- **Reach Fund**<sup>150</sup> – up to £15,000 of grant support (England only).
- **The Charity Bond Support Fund** – invests up to a third up of charity bond issues.

## Tax reliefs

Social Investment Tax Relief (SITR) (30 per cent tax relief for up £1.5 million raised in organisations under seven years old, c. £300,000 for those older than that). SITR can be offered for debt investments in Community Interest Companies (CICs), Community Benefit Societies and charities.<sup>151</sup>



## Pros

- As bonds offer greater security and certainty than shares, bonds may be a more attractive financial proposition for investors. Organisations may therefore find it easier to raise larger amounts of money through bonds.<sup>152</sup>
- For organisations who want to raise capital from their supporters without having to give up control, bonds provide a good alternative to shares because they don't have voting rights attached to them.<sup>153</sup>
- Some organisations might want to raise capital from their supporters without having to give up control of the organisation. In this case bonds provide a good alternative to shares because no voting rights are attached to them.
- Debt-based securities are a flexible and useful mechanism that can provide exactly what a business needs in terms of capital, without the involvement and engagement from the providers of that capital.
- In reality, most community investees seeking debt finance are likelier to be undertaking a smaller and more discreet debt-raising process involving a small number of wealthier people investing a fairly significant sum each, rather than a larger and more public offering where more people invest with a lower average sum invested per person. As the former group are likely to meet the criteria to qualify under the various exemptions from the financial promotions regulations, the actual costs in practice will be much, much less than if the offer was one being made to the public.



## Cons

- The biggest negative comes from the fact that the organisation is contractually committed to repayment – in the case of bonds, this requires the building up of a fund to repay bondholders at the end of the bond's term, which, if cash flow pressures intervene, can cause challenges.
- Even where debts are paid in more manageable amounts over time, these can place cash flow under severe pressure, especially where there is an element of seasonality.
- Unless the organisation is also a community benefit society, the requirement to secure regulatory approval outside of certain key groups creates compliance costs, either in ensuring that the resulting offer doesn't breach the terms of that exemption, or to get the sign-off from an FCA-approved person.
- Assumptions made at the start of the lending period get locked in, and struggle to be changed. As a result, a community investee might make certain assumptions about the volumes of trade it might get, or the condition of a building, which might turn out to be unrealistic. The resulting need to raise revenues to a level necessary to service debt can create a conflict between the needs of the community and the needs of finance providers.
- Bondholders are not members, and they have no voting rights, so they do not provide a tool for community engagement.

For more information on bonds see NCVO's guide<sup>154</sup> and the Bonds chapter of the *Community Shares Unit's handbook*.<sup>155</sup>



## Selecting a legal entity and governance model

Alongside choosing a community investment model, organisations have to choose an organisation type (legal form) and decision-making structure (governance). The legal entity determines which community investment models can be used, so the first part of this section sets out the options and limitations around the relevant legal entities. The second part focuses on governance models for organisational decision-making.

### Choosing a legal form for your organisation

This section sets out the possible legal entities which can enable community shares, and bonds and debentures.

#### Creating the organisation necessary to do a community share issue

The two legal entities that can issue community shares are:

- Co-operative societies
- Community benefit societies (with or without a statutory asset lock or charitable status)

All are registered with and regulated by the Mutual Societies Team at the Financial Conduct Authority (FCA). To create a society, groups should either:

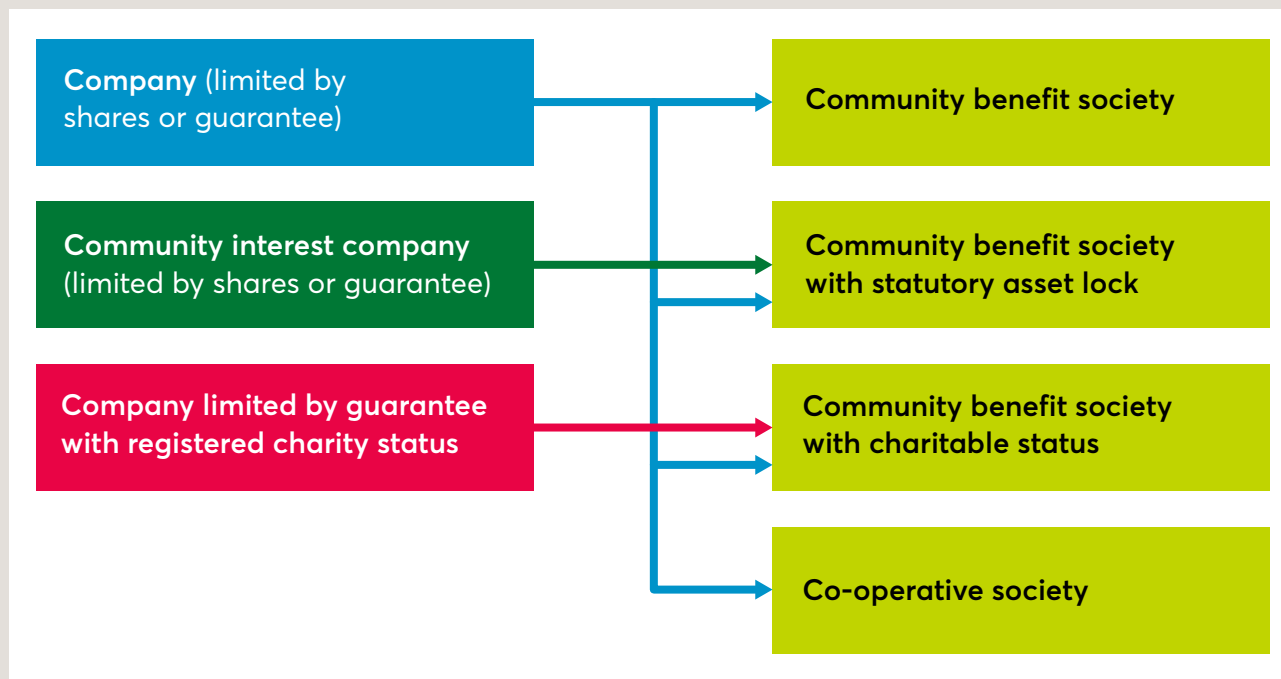
- Identify a set of templated model rules (the FCA has a list<sup>156</sup>), contact the sponsoring body, and work with them to register the society. Fees are charged depending on the number of amendments made to the template.
- Submit a set of rules without the assistance of a sponsoring body, paying the full fee of £950.

Photo: The Clipper



The Clipper

Any existing organisation with legal personality (apart from a Charitable Incorporated Organisation) can convert into either a co-operative or community benefit society. The figure below shows which type of society different organisation types can convert into:



## Co-operative societies

The purpose of a co-operative society is to provide benefit to its members through its activities. This could be through enabling staff to be well paid with fair terms and conditions (in a worker co-op, a little like John Lewis and Waitrose) or that customers get low price goods (a consumer co-op such as The Co-op Group or a members' club) or where a group of businesses group together to better market their products or provide central services (e.g. Associated Press, Arla dairies). The members must predominantly be people who will be essential to the trading activities of the co-operative society, such as the staff or customers or producers.

Co-operative societies can be not-for-profit organisations, but usually aren't because the main way they benefit members is to give them financial benefits from being a member via a dividend each year in proportion to the trade a member has undertaken with the co-op.

### Governance considerations:

- Co-operative societies must also have at least 75 per cent of the voting power in the hands of people who are members defined by their economic relationship with the co-operative – either a worker, a consumer, supplier etc. 'Non-user investor members' can provide capital investment without being in such an economic relationship, but those non-users can only control up to 25 per cent of the voting power.
- Co-operative societies must be based on a one member, one vote principle. A 'multi-stakeholder' co-operative can give different weighting to different classes to give one class more influence over decisions.

## Community benefit societies

A community benefit society's purpose is to provide benefit to a wider community, and all surpluses must be devoted to the fulfilment of that purpose (either retained and reinvested, or donated to some third party). It has members who might support and contribute to the trading, and those members might receive those benefits, but by means of being in the community of people who benefit from the activities, rather than because they are members of the society. Many community land trusts take the legal form of community benefit societies.

### Governance considerations:

- Community benefit societies (CBS) also operate on a one member, one vote principle, but because the primacy of a community benefit society is the creation of community benefit, the FCA views the governance arrangements in the context of whether they make sense in respect of the community benefit they are providing.
- A community benefit society may have a member class of 'enablers' who provide the asset to the society, such as the local authority. The enablers reserve certain positions on the board of directors or have veto powers over certain decisions. The £100,000 limit on investment through community shares by one individual/organisation somewhat limits these potential power dynamics.

## Creating the organisation necessary for bonds and debentures

Societies, companies limited by shares, companies limited by guarantee, charities and LLPs can all raise investment through bonds and debentures.

As creditors' involvement is based on the contract that was created when they made the debt investment, there is no formal role required in the organisation. It may be that some creditors would be more comfortable investing their debt if they had some input or rights though – maybe to observe board meetings, or to receive board papers etc. – but these are a matter for negotiation and agreement between investors and investee organisations.

### Governance considerations:

- A bigger impact can come from the need to make payments to the investor creditors. Their needs (or demands) can become a priority in the minds of staff and directors, which can have an effect on the organisation's decision-making.
- If the organisation defaults (or is in danger of default) it can lose control of the assets and/or the organisation itself, be that through creditors proposing solutions that involve drastic changes to governance and operations, or more formally through insolvency proceedings.

## Preparing the correct documentation

After registering the correct legal structure, groups need to prepare a series of documents:

- The offer document sets out the broad contractual terms of the offer – how much is being sought and what it will be spent on; the conditions that will trigger the successful conversion of pledges into actual investment; the aspirations regarding paying interest and withdrawal to investors and details about the society's governance. This document, along with the society's constitutional document forms the legal basis of the contract between the society and the investor.
- Usually, a business plan is produced going into greater detail about the market opportunity and how the society will seek to exploit this opportunity. It usually includes financial projections detailing forecast cash flow, profit and loss and balance sheets.

As with crowdfunding, a society will want to demonstrate momentum by having a significant proportion of their investment already lined up to be pledged. Societies can also use a platform – leading examples being Crowdfunder<sup>157</sup> and Ethex<sup>158</sup> – to host their share offer and automate the payment process and display running totals.

Although the contractual status of a share issue is different from 'standard' crowdfunding, the process can be considered as a bigger crowdfunding campaign, though with the clear difference that since investors will pledge around ten times what they would donate, it takes more advanced engagement with them ahead of the campaign launch to warm them up to the point that they appreciate that the merits of the project and that those benefits will only come to fruition if investors are prepared to commit the funds necessary.

## Creating the best governance model to suit the organisation

Governance is often thought of as simply a legally-required framework for establishing a board. But governance is at the very core of determining what sort of organisation will be created, who will be involved and what it will achieve. One way of defining governance is: 'how society, or groups within it, organize to make decisions',<sup>159</sup> within which three key questions are raised. These can be a starting point for thinking about a governance structure:

1. **Who has a voice in making decisions?**
2. **How are decisions made?**
3. **Who is accountable?**<sup>160</sup>



Photos: Energy Garden



Energy Garden

Through this it can be seen that governance in practice simply means deciding on and using a set of structures, processes and ways of working which provide a framework for the organisation's work. There are three key elements that organisations who are using crowdfunding community investment need to consider when developing their governance setup:

- **Legal requirements:** Each legal structure which a community project can have (e.g. co-operative, charity, limited company) will have specific associated legal governance requirements. The most common are having an elected board of directors (with ultimate financial and legal responsibility) and shareholder votes at annual general meetings (AGM with one member, one vote being a key component of community share offers – giving a voice to the shareholders).<sup>161</sup>
- **Impact on the success of the project:** A good governance structure provides a framework underpinning and supporting the organisation's work. When a structure is well suited to the organisation, it will enable effective decision-making and efficient implementation of the strategic aims. A structure which is ill-fitting can cause unnecessary bureaucracy, delays to operational implementation and frustration and disengagement of the community.
- **Engagement and empowerment of the community (shareholders, volunteers, external stakeholders and users):** Governance structures can enable or prevent participation in decision-making and running of activities within organisations. Within community-owned projects, there is an opportunity to harness the energy and voice of the investor community to shape and develop the organisation through opportunities in the governance structure. These need not be limited to formal roles or committees but can include input into processes (e.g. strategy development) or additional representative roles (e.g. a youth council) which are relevant to the organisation in question. Overall, the governance model can be a key tool in enabling diverse participation from, and inclusion of, different individuals and groups within a community.

In section one we introduced three example governance models used by community organisations. Below we highlight the advantages and disadvantages of the different governance models that projects can consider when setting up their organisations.

Model	Advantages	Disadvantages
<b>Traditional</b>	Familiarity with model; perceived lower risk in decision-making; clear division between strategic and operational decision-making; sub-committees of the board can be brought into structure (with the option to move towards model two); volunteers can work for staff on operational activities.	Rigid structure; hierarchy creates access barriers to governance roles; potential lack of meaningful shareholder input.
<b>Membership</b>	Flexible structure; skills/experience-based volunteer board; partnership working enables knowledge share; opportunities at different levels for member/volunteer involvement and facilitated succession planning for the board. The structure of various groups can allow for active equality and diversity work e.g. reserved spaces on committees for young people.	Layers of committees and groups can make the structure difficult to navigate.
<b>Sociocratic</b>	Emphasis on openness; empowerment of community through flat structure – barriers to roles reduced; structure is flexible and so working groups (and potentially sub groups) can be added and adapted as all working groups link to main circle.	Openness means access to roles is easier, but potentially less scrutiny over skills/experience; collective decision-making takes more time and training, relies on a shared vision and understanding of processes, progress can be delayed if not (in some cases consensus decision-making used).

### Traditional model in action: GlenWyvis Distillery<sup>162</sup>

GlenWyvis Distillery has set a new bar for the scale and reach of a crowdfunded community investment project. However, with almost 4,000 investors, the mechanics of community ownership presents something of a challenge. The Distillery has therefore opted for a more traditional governance structure of a management committee which is elected by the investor members (they are split into two groups who can each elect a set number of board members – this is to ensure that the majority are from the local area), which oversees the project's strategic direction and employs staff to manage the day-to-day operations of the business. The Distillery has so far had two AGMs, where numbers attending were manageable – but as numbers grow, 10 per cent attendance would be close to 400 people in the room. Instead of trying to curate meaningful input from thousands of individuals, the organisation has opted for focusing on electing board members with high-level skills and local and professional experience who will guide the organisation into its next phase.

**The staff ultimately run the business under the elected board's watchful eye.**

John McKenzie, Founder and Managing Director, GlenWyvis Distillery

## Membership organisation model in action: Portland Works<sup>163</sup>

Portland Works centre for small manufacturers and craftspeople in the refurbished historic cutlery works have developed their organisational structure into one which aims to prioritise transparency and accessibility, within a framework of open directors' meetings and working groups covering different activities within the project. Their directors and board meeting format means that meetings are not often closed, and other stakeholders are enabled to participate e.g. working group representatives, users, workshop tenants and shareholders. The flexible nature of this structure means that various working groups of volunteers and users have been set up along the way to make decisions on different themes from renovation work to finances. Each of these groups then feeds into the directors' meeting, so that there is meaningful input from a wide range of stakeholders in top level decision-making.

**We have working groups on different themes – building renovation, publicity, finance legal and governance, all feeding in to the directors' meeting.**

Derek Morton, Chair (2011-2015), Portland Works Little Sheffield Ltd

## Sociocracy in action: Equal Care Co-op<sup>164</sup>

The care and support platform Equal Care Co-op created its structure based on its priority to put the supported members, advocate members and worker members at the heart of decision-making in their multi-stakeholder platform co-operative. They therefore have limited the votes of investors not in those categories to 10 per cent of all votes. To maximise opportunities for participation in line with the co-operative principles, they have made a commitment to having at least three general meetings a year in addition to the AGM. The organisation integrates sociocracy (circles of decision-making all linking in to the central decision-making space), co-production and self-managing teams into their personalised model. This is a great example of an organisation which has taken a range of methods and adapted them to fit the context and priorities of their organisation.

**For us, the focus on changing the power dynamic in social care started with the cooperative model. But this wasn't enough for the day-to-day and there weren't many practical examples of how we might design our structure with this in mind. I found first holacracy and then sociocracy, which is a very kind, pragmatic human-centred approach to organisation design. It's also strongly related to the Buurtzorg model of care. Co-production completes our 'governance trinity' that we are knitting together with the platform and trialling in our Calder Valley pilot this year. It's exciting, we are learning by doing and taking a flexible, responsive approach.**

Emma Adelaide-Back, Equal Care Co-op

## Chapter 3

# Opportunities and challenges in community Investment, governance and ownership



A key challenge for organisations considering crowdfunding community investment is answering the basic question – is it for me? To help address this, the following chapter looks beyond what crowdfunding community investment is and discusses some of the main opportunities and challenges that anyone interested in this form of finance should consider. This is primarily based on insights and lessons learned from those who have set up and run crowdfunded community projects.

## Opportunities – community empowerment through financial and non-financial contributions

Crowdfunding investment, whether through shares or debt, can be a powerful way for community-led organisations to raise funds, bringing with it a number of financial as well non-financial benefits for both the projects directly and for the wider community. While most organisations will naturally focus on access to new funds and other financial considerations, it is important that organisations also consider the non-financial benefits, such as increased volunteering and strengthened community resilience, when weighing up the pros and cons for choosing crowdfunding community investment.



### Helping fund projects that would not otherwise get funded

Investment crowdfunding can provide a flexible alternative source of funding to projects that would not otherwise get funded, either due to lack of a proven track record meaning bank loans are not accessible, lack of appropriate grant funding, or because the amount needed is larger than it is possible to raise through donations or rewards-based crowdfunding.<sup>165</sup>

Community investment often enables projects to go ahead where grant funding is not available for the type of project they are running, the legal structure of their organisation, for what they intend to use the funding for (e.g. working capital), or within the time-frame that the money is needed (for example to buy a building they have successfully registered as an asset of community value giving them six months to find funding for the purchase).

**We invested to support the skate park because we thought it was very important. We're very involved in scootering – it's an important place for our family – and we would be devastated if it had to close.**

A Projekts MCR community share investor

Investment crowdfunding can provide levels of finance for community projects beyond the reach of donations or rewards crowdfunding, with the average amount raised through community shares crowdfunding at £504,367<sup>166</sup> and debt-based securities £1,389,923,<sup>167</sup> compared to just £1,516<sup>168</sup> for donations and £11,800 for rewards.<sup>169</sup> This is possible because most investment crowdfunded projects offer interest on investments, alongside the opportunity to support local projects.<sup>170</sup> When this is combined with the various tax reliefs available to community investment offers, they can be financially competitive investments – particularly at a time when interest rates on a typical alternative use for this money, banks savings accounts, are particularly low.<sup>171</sup> This means that investment-based models are able to tap into investors' financial as well as social motivations for backing a project, and so can be used to fund much larger-scale projects than is possible through the donations or rewards-based models.<sup>172</sup>

The first group were desperately keen to get broadband and willing to put money in to have that. The second group were not that committed to broadband but did have a sense of community – they could see that it would make a difference to others. Another group saw it as a commercial venture.

Barry Forde, Chief Executive, Broadband for the Rural North Ltd. (B4RN)

Photo: Portland Works



Portland Works



Case study

## GlenWyvis Distillery



Location:	Dingwall, Scotland
Organisation status:	Community benefit society
Governance model:	Traditional (elected board, AGM)
Financial model(s) used:	Community shares (2016: £2,544,210 from 2,456 investors, 2017 – present: £1,036,280 from 1,426 investors)

In the North of Scotland, a traditional industry is being revived, led by a community which has come together around regeneration of their town and a love of whisky. Dingwall used to be home to several distilleries over the years, with the last closing in 1926.<sup>173</sup> From the community know-how and energy generated from a previous community-funded wind turbine project, GlenWyvis Distillery was created. It opened in November 2017 after a successful community shares raise of £2,544,210 with 2,456 investors in 77 days (aim was £1.5 million), alongside large institutional grants. The minimum investment for those in the local postcode was £250,<sup>174</sup> and 'pledges' were also available from £10 (which didn't constitute a share investment but gave

some reward<sup>175</sup>), with a range of rewards for different levels, from distillery tours to bottles of the first batch of whisky.<sup>176</sup>

Because we had done the wind turbine project, we saw this as a real chance of success with a unique model.

John Mckenzie, Founder and Managing Director, GlenWyvis Distillery



GlenWyvis Distillery

The project aims to make Dingwall 'the craft distilling town for Scotland', reinvigorating the local community, and making it a spot on the North Coast 500 route for tourists<sup>177</sup> as the world's first 100 per cent community owned distillery.<sup>178</sup> Using barley from a local co-op,<sup>179</sup> they aim to establish a modern distillery within the Scottish tradition.<sup>180</sup> The distillery is powered by wind, hydro and solar power,<sup>181</sup> making it the world's first carbon-neutral distillery.<sup>182</sup> Currently nine out of ten board members are from the local postcode, with around 60 per cent of investors from the local area and 70 per cent from Scotland, although some 36 countries are represented overall.<sup>183</sup>

The first share offer to help set up and build the distillery was followed by a second to meet demand for investment, develop the brand (suggested by shareholders<sup>184</sup>) and reduce commercial borrowing.<sup>185</sup> At the time of writing,

over £3.5 million has been raised in total.<sup>186, 187</sup> The five full-time staff are making and selling gin (investors decided to bring gin making in house<sup>188</sup>) while awaiting the first batch of whisky<sup>189</sup> which should be ready in 2021.<sup>190</sup>

One London investor said that is a huge amount of money to raise in any forum – it goes to show that community shares are a viable example of novel business.

John Mckenzie, Founder and Managing Director, GlenWyvis Distillery

While most traditional distilleries are owned and controlled by a few large shareholders, GlenWyvis has shown the sector that things can be done differently and has set a record in the amount raised through community shares. However, the scale of the project has exposed some of the challenges around the lack of flexibility in initiatives to help such projects. For example, a £5,000 grant doesn't go far when set up costs are £200,000, and while the wait for the whisky continues, the board faces the interesting challenge of managing this large body of investors as the next AGM approaches.

No one has ever crowdfunded a distillery: £250 to own a whisky distillery and have a vote!

John Mckenzie, Founder and Managing Director, GlenWyvis Distillery

Photo: GlenWyvis Distillery Ltd.



GlenWyvis Distillery



## Creating more financially stable community initiatives

Financial stability is a challenge for most community organisations. Crowdfunded community investment can help address this by enabling more certainty through longer-term investment, flexibility in comparison to grant funding, the creation of new revenue streams, and increased accountability to the community. Showing that a project has backing from the public can provide the legitimacy needed to open doors to other sources of funding such as larger grant funding or social investment. Finally, giving the community a stake in an asset means they are likely to use it more, increasing revenue and sustainability of the project.<sup>191</sup>

By having investment that is stable for several years (e.g. three years is common duration before community shares can be withdrawn),<sup>192</sup> organisations gain more financial certainty in the initial years of a project which can otherwise be unpredictable. Furthermore, these investment models often allow fundraising organisations more flexibility and control than other sources of funding, such as grant funding, which can be very restricted and come with extensive monitoring requirements. This allows projects to use funds to overcome unseen challenges and react to new opportunities.

**With this funding we can be fleet of foot, and respond to opportunities as they arise.**

**Helen Seymour, Chair, Headingley Development Trust**

Funds can be used to develop new revenue streams, increasing the sustainability of projects. For example, Jubilee Pool in Penzance raised £528,680 from 1,380 community shares investors towards building the infrastructure needed to geothermally heat the pool, and reduce its reliance on the good weather. As a result it can be used by the community and earn money 12 months of the year.<sup>193</sup>

When sourcing investment for a project from within the community it serves, there is built-in local accountability. This creates a duty to be financially responsible and operate within their means. Because of this it has been argued that more community-owned organisations are likely to be financially stable than those in other forms of ownership.<sup>194</sup>

There is some evidence that community businesses are able to succeed in places where businesses operating under other ownership models are not. The Plunkett Foundation estimates that survival rates of community pubs in the UK has been maintained at 100 per cent<sup>195</sup> and community shops at 94 per cent,<sup>196</sup> a remarkable achievement, considering the five-year survival rate of all UK small businesses is only around 44 per cent.<sup>197</sup>





## Increasing volunteering and tapping into other non-financial contributions

Investors' interest in community projects nearly always goes beyond financial returns. This means that they are often willing to contribute more than money to help towards the project's goals<sup>198</sup> such as through volunteering, giving access to space or equipment, and sharing local knowledge and networks. For example, past research has found that 32 per cent of community shares investors offered to volunteer with the project, 39 per cent of them had participated in shareholder meetings, 35 per cent gave feedback or advice, and 24 per cent made introductions and connections to the project.<sup>199</sup>

### Volunteers do everything from the board to the turnstile.

**Charlie Dobres, Lewes Football Club, Elected Director**

It is common for investors to have the right to stand for the board of the organisation. This can bring in a wide range of skills (e.g. bid writing, accounting), a wealth of local knowledge (which helps keep the project relevant and addressing local needs) as well as representing the diversity of the community benefiting from the project. Shareholders can also be involved on a more operational level, for example in working groups around specific smaller projects (e.g. a particular event) or in core functions of the project, such as working behind the bar in a community pub or helping teach classes at a community centre.<sup>200</sup> Non-board volunteering roles can be more accessible and tangible in their impact and therefore can be easier to recruit for, but consideration must be taken to support volunteers and pay where appropriate.

**What's more important is engagement and backing. If you did hit a bump in the road, you could reach out to the community to give you a hand, to make it work. Or there could be a moment that comes when you need that particular kind of volunteer.**

**Iain Chambers, Community Projects Manager, The Bevy pub**

Shared knowledge and resources can be crucial to the success of some community projects. For example, Broadband for the Rural North (B4RN), who raised over £4 million to bring fast broadband to dozens of rural communities is supported by local farmers and landowners who give them permission and help them to run broadband cables through their land. Their extensive knowledge of the lay of their land also allows them to avoid potential challenges such as trying to run cables through land susceptible to flooding. This helps B4RN reach communities that are not viable for traditional broadband providers.<sup>201</sup>



## Strengthening local resilience, community self-determination and social infrastructure

The opportunity to invest in local projects can empower communities with increased self-determination over the future of their local area. It can also help build social cohesion by bringing people together around a common cause.

Community ownership not only gives a group of people a financial stake in an organisation – it enables them to hold the power of decision-making within it and therefore, in the future design and regeneration of their area. This is particularly important in the context of urban regeneration, where much development by private developers has been critiqued for focusing too much on short term financial gains and profits rather than catering to the needs of and improving the area for the existing community.<sup>202, 203, 204</sup>

**Having confidence in themselves is key. It's been top down for a long time. This is a real genuine bottom-up approach, and that releases latent energy within a community.**

**David Cameron, Director, Community Land Scotland**

This empowerment can have an impact on the community's future as the collective knowledge, skills and connections generated through running a community-initiative can be transferred to new projects and empower the next generation of the community.<sup>205</sup> For example, it was the process of setting up a community wind turbine that inspired the creation of the community-owned GlenWyvis distillery (see our case study on [page 53](#)). Overall the community can become more resilient and ready to step in to make changes to improve the local area.<sup>206</sup>

**It's really important that we don't tell them what to do. We give them what they want and support them, but it's their garden.**

**Agamemnon Otero, CEO and Director, Energy Garden**

Working as a group to raise money and build something positive strengthens ties between those involved, and this can spill over into day-to-day life creating a community where people can depend on one another.<sup>207</sup> In addition, many community projects are actively working to build social cohesion and wellbeing in the community through their activities.<sup>208</sup> For example by reducing loneliness and isolation (e.g. by providing meals for vulnerable groups in the community<sup>209</sup>), or simply by providing space that is open and accessible to the diversity of the community.<sup>210</sup>

**We wonder if the bigger benefits are the community ties we leave behind after it is built, the legacy of people talking to each other.**

**Barry Forde, Chief Executive, Broadband for the Rural North Ltd. (B4RN)**

The positive role of community groups on social cohesion and wellbeing has been confirmed by previous studies. For example, it has been found that active participation in community organisations and activities is associated with decreased loneliness,<sup>211</sup> lower mortality rates and better physical and mental health,<sup>212</sup> and communities where more people volunteer and join local organisations tend to have lower crime rates.<sup>213</sup>

## Challenges – transitioning from grassroots fundraising to running a community organisation and avoiding negative impacts on diversity and inclusion

While there is a range of benefits associated with crowdfunding community investment, there is also a variety of challenges which anyone considering it should be aware of and take into consideration. These include challenges directly related to fundraising, accessing assets and the learning curve that grassroots organisations go through in planning for, setting up and running an inclusive community business.



### Gaining access to assets for community use

In most cases, gaining access to an asset (such as a pub, community centre, shop or piece of land) is either the main purpose or a key requirement in setting up a project.<sup>214</sup> It can, however, be challenging for community groups to access such assets, whether they are currently owned by a private landlord or a local authority. Barriers include conflicting priorities, lack of finance for the asset transfer process, as well as lack of expertise.<sup>215</sup>

Registering an asset as an asset of community value under the 2011 Localism Act is a process which gives the community a right to bid for an asset should it ever come up for sale, by giving them six months to raise the funds to bid for it.<sup>216</sup> However, sometimes this mechanism doesn't help as intended. For example, when Bamford Community Society registered their local pub, The Angler's Rest, as an asset of community value the community still had to fight to buy it, as the owner tried to sell instead to another buyer.

While local authorities have the ability to pass on assets they own to community groups, there can be hesitancy to do this. For example, they may feel disempowered if they previously owned and ran the asset, or not want to be seen to hand public buildings over to 'private' business. This can slow down the process of asset transfer or prevent it happening all together. Furthermore, community groups sometimes prefer to work in partnership with local authorities, but often find that there is little flexibility in terms of the kind of relationship they can have with the local authority (they often want full or no control). In addition, community groups can find that the asset handed over has major (and costly) issues, and that this is the reason for the local authority wanting to take it off their books.<sup>217</sup>

**The local authority might sound supportive, promise land, then it might take years for it to progress and in the end the process might not live up to expectations.**

**Lindsay Chalmers, Development Manager, Community Land Scotland**

In urban and rural areas, the challenges in accessing assets can be different. For example Community Land Scotland has found that in cities it can be more difficult to establish who owns a piece of land, the prices can be unaffordable or the practice of land banking means that landowners of vacant lots are unwilling to sell. In different parts of the UK, support for buying land varies<sup>218</sup> e.g. in Scotland the Scottish Land Fund often pays for most of the purchase cost.<sup>219</sup> There can, however, be challenges in publicly-supported community asset projects, and there is currently an enquiry looking at what went wrong in projects which had significant public funding invested in them, but were unable to continue to be run successfully as community assets.<sup>220</sup>

It's as basic as finding out who owns the land, and if it is registered. It's more common that no one knows who land is owned by in urban areas.

Linsay Chalmers, Development Manager, Community Land Scotland



### Planning and running a successful investment crowdfunding campaign

One of the biggest challenges community groups will face in raising community investment is planning and running a successful campaign, particularly if this is their first time raising funding in this way. Specific challenges centre on producing a viable business plan, gaining the trust of the community, and running a successful campaign, i.e. convincing people to invest.

#### Business planning and preparation

A major challenge for grassroots community groups seeking community investment is that they often don't have experience in creating a business plan. This is essential to running a sustainable business and showing that their project is viable to investors. Key tips from projects and institutions were:

- Have a clear goal with a plan that covers all eventualities, shows how uses will generate income, and has the backing of the organisation.
- Make sure your documentation is consistent, with projections and assumptions explained.
- Assess the risks and show your technical ability to run the project.

Start with your heart driving everything, and get everything making sense in your head.

Derek Morton, Chair (2011 – 2015), Portland Works Little Sheffield Ltd

A key part of preparing to raise community investment is establishing the most appropriate investment model. Finding information on community investment models and how to use them can be challenging, and one that projects recognise is more difficult if you are new to the sector. Related to this is the difficulty of getting the minimum investment level right. Knowing your potential investor community is key here. Finding the balance in marketing to appeal to those investors looking for a good deal financially whilst not alienating the core community is often seen as one of the biggest challenges by fundraising projects.

Don't just go out with one message, you need to have incentives for everyone. At the bottom end of the scale this is emotional, at the top it is hard money.

Susan Stuart, Director, Jubilee Pool Penzance Limited



Regardless of the initial knowledge, some funding is necessary to get the first pieces of the project in place (e.g. legal work and feasibility studies) and projects reported that while there is some funding and support available, grant funding for this can be hard to access, or not enough to cover set-up costs.

### **Gaining the trust of the community**

Building trust between the project and the community is key to a successful crowdfunding community investment.<sup>221</sup> Not taking into account the time and effort required for this can be detrimental to both raising funds as well as sustaining the project over time.

Firstly, talking to the community about their wants and needs from the start is key to getting the project right – they're unlikely to invest unless there is a shared understanding of the problem and buy-in for the solution. Second, being community-run can still come with certain assumptions that a project is not a viable business. While, producing good plans and documents and presenting them in an easily accessible and understandable way can give people some comfort in their investment, further work needs to be done to foster trust in those running the project and the financial instruments being used, which potential investors will often be unfamiliar with. One of the popular ways of building this trust is by engaging key trusted individuals in the community to act as ambassadors, sharing information and updates on the project as well as generally championing the opportunities that community investment will bring.

### **Our general advice is communicate, communicate communicate!**

Hugh Rolo, Development Adviser, Locality

### **Running a successful campaign**

Running a successful crowdfunding campaign can be hard. It requires dedicated team members with specific skills and planning often months in advance of going live, and can demand significant amounts of time and energy of the often unpaid project team. This is particularly challenging when projects have set an all or nothing target that needs to be met in a short fundraising window. Furthermore, projects pointed out that for some community organisations, asking for money can be a challenge, as it's not a normal way for them to interact with their community.

The learning curve of running such a campaign can be very steep and many projects fail in their first attempt at fundraising through crowdfunding. Most successful projects have started with a group of leaders who have a background in the sector, or specific skills which are key to setting the project up, such as bid writing, community governance or business planning. With this experience can also come a network of connections which can bring advice, publicity and investment to the project from the start.

### **There was a team of about five at the core of it, putting in a huge amount of energy just to make it work. Our conviction that it would all work out was infectious.**

Derek Morton, Chair (2011-2015), Portland Works Little Sheffield Ltd

Regardless of the type of investment, having the community ready to invest as soon as the campaign is live is a key way to demonstrate trust in the offer and encourage a strong start to the campaign. Several projects mentioned strategic techniques that they found useful in their campaign:

- Show the community the advantages for their local economy and how it will impact them beyond the particular project.
- Be strategic in the timing of your campaigns and activities to boost marketing of your offer.
- Think about the wider network – including the local corporate community and those who have had some connection to the building or association with the place – and how they can help spread the message and boost investment.

**We would have spent six to nine months investing in our networks before the launch – that would be a strategy for the next time, if we have time!**

**Wendy Hart, Co-Director, Nudge Community Builders**

However, a key challenge is knowing where to direct marketing and having the skills and capacity to do it. Reaching out to the local and national press resulted in coverage which supported the project, boosting external investment, for others, face-to-face interactions work best. However, it was clear that for most campaigns social media played an important role as it allows fundraisers to reach out to and mobilise investors, as well respond to their feedback, comments and questions.

Projects need to have people who both understand the financial instrument and terms of the offer and know how to put this forward to potential investors in a credible way – which can be hard to find in one person.

**Bring in as much advice as you possibly can, speak to those who have done it and get expert input, so you don't head down wrong path.**

**Rebecca McIntyre, Founder member, Bamford Community Society, owners of the Anglers Rest in Derbyshire**

Not having past experience could put projects at a disadvantage. Several projects found that having run a donations or rewards-based crowdfund campaign prior to raising community investment had set them up well for this next stage<sup>222</sup> giving them crowdfunding skills and testing the investment potential of the project. For those without this experience, accessing expert advice and support early on was reported to be important to running a successful campaign, as well as the need for community groups to come together to share best practice, pre-empt problems and gain confidence.

Case study

# Energy Garden



Location:	Overground stations, London
Organisation status:	Community benefit society
Governance model:	Membership organisation (representative co-operative structure)
Financial model(s) used:	Community bond)

Energy Garden combines urban regeneration, green energy and community gardening in one project. Using the land surrounding London's transport network stations, the co-operative has worked with community groups to create a network of growing spaces across the capital.<sup>223</sup> The project has so far established 34 energy gardens across London, supported by 127 community groups, 44 school programmes and 25 young paid interns,<sup>224</sup> and has plans to expand across the city's overground train and tube station network.<sup>225</sup> To do this, in 2018 they launched the Energy Garden Bond Innovative Finance ISA,<sup>226</sup> a 20-30 year bond with a minimum target of £2 million (maximum £16.5 million) and expected 4 per cent interest, where all retail and sophisticated investors are treated on equal terms.<sup>227</sup> Unfortunately the initial offer was unsuccessful in raising the minimum amount required.

People are keen to see green spaces, biodiversity and improve air quality, and we can support them with funds generated from a renewable energy co-operative while reducing carbon emission from the most polluting sector: transport.

Agamemnon Otero, CEO and Director, Energy Garden

Photo: Energy Garden



Photo: Nesta



Energy Garden

However this project has been funded so far by £750,000 from the People's Postcode Lottery,<sup>228</sup> £54,000 from Bank of America Merrill Lynch, £37,000 from GLA greener cities fund working with Repowering London (solar AV), and Transport For London, and from the income from the energy produced by solar panels on site or as part of the wider project.<sup>229</sup> As a community benefit society, groups are encouraged to become investors in the co-operative and participate in its decision-making. In addition to AGMs there are regular meetings to which each garden sends a representative to give updates and contribute to the wider project.

Each garden is created by a local group who design, plant and tend the garden, with support from a central co-operative to acquire the rights to the land and the tools and resources to make their vision a reality.<sup>230</sup> The aims of the project are primarily social and environmental,<sup>231</sup> looking to 'turn them into arteries of support and help for a resilient city'<sup>232</sup> through tackling issues from food poverty and pollution to community empowerment.<sup>233</sup>

The group plans to relaunch their bond offer in May 2019, following concentrated work around engaging the potential investor network, including far beyond the local community. It remains to be seen whether innovative models like this can achieve this scale of investment in the community project context.



## Transitioning from fundraising to running a community business

### Then a new challenge started, to run the pub.

Iain Chambers, Community Projects Manager, The Bevy pub

Campaigning and fundraising require very different skill sets and processes from those needed to deliver the project. Projects in particular highlighted community engagement, leadership and maintaining momentum as issues that they encountered when managing the shift from fundraising to implementation.

#### Keeping the community engaged

People like the buzz of a campaign, but ongoing operations can be much less interesting to the wider community, leading to a reduction in involvement over the years.<sup>234</sup> For a project to be truly owned by the community, however, it needs to maintain ongoing interest and engagement, for example by offering volunteering opportunities, ongoing discussions, regular updates (even when there are delays) and decision-making opportunities.

Keeping the community engaged after the fundraising period is essential because it is vitally important that the community is ready to use the service and continue to support it in line with the business plan. For this reason, Portland Works offer regular open meetings to give opportunities for the community to input and keep informed. Several projects have also used social media as a tool for this purpose.

### Create meaning and a reason for your existence that matters to the people you're asking the money from. You have to match the DNA and culture of the town.

Charlie Dobres, Lewes Football Club, Elected Director

#### Leadership and management skills

The skills required to design and run a fundraising campaign are very different to those required for the day to day management of a community business. Initial leaders have to be good at galvanizing the team around a cause and at fundraising, but there is a need for a range of different skills (from leadership and financial planning, to social media and public engagement) for the ongoing operation of the business.<sup>235</sup>

As well as skills, relevant and diverse experience plays a key role in ensuring good decision-making in an organisation. This may require extra effort to reach a range of groups and where roles often rely on large numbers of hours of unpaid work. Breaking down these barriers requires expertise and resource, which can be especially hard to come by at the start of a project.



## Keeping momentum going within the project team

The final challenging aspect of moving from campaign to ongoing operations is practical: a campaign takes a huge amount of energy and commitment, and by the end of it, people are tired and may be at risk of burnout.<sup>236</sup> However, taking a break at this key stage in project establishment is a big risk.<sup>237</sup> Having people with new energy to bring to this part of the project can help ease the transition and make sure that the momentum isn't lost. Projects told us that the strength of relationships with the community were key to building resilience to get through these challenges years after the initial raise.

Involve as wide a group as possible and make sure that they feel ownership and maintain that. Support your supporters, keep them involved, communicate, ask questions and make sure that they know that you value what they do.

Derek Morton, Chair (2011-2015), Portland Works Little Sheffield Ltd

Photo: Portland Works



Portland Works

## Case study

## Hastings Pier



Location:	Hastings, South East
Organisation status:	Community benefit society
Governance model:	Traditional (Elected board, AGM)
Financial model(s) used:	Community shares (£850,000 – 4,700 shareholders)

No case study emphasises the range of opportunities and challenges which can be met in ensuring the sustainability of a community asset as strongly as Hastings Pier. Through the journey of the project to renovate and bring the pier back into community ownership from a devastating fire in 2010,<sup>238</sup> to its sale to a private owner in 2018,<sup>239</sup> there is evidence of both the highs and lows that such a project can reach.

In early 2017 Hastings Pier was hailed as a great success as the first charity to issue community shares.<sup>240</sup> Through the energy of a passionate local community coming together, 4,700 shareholders raised £850,000 in community shares and worked to gain a combination of £12 million grant funding from the Heritage Lottery Fund<sup>241</sup> and £2.5 million from other sources<sup>242</sup> to renovate the pier. In 2016 it reopened to the public with an emphasis on community and music events,<sup>243</sup> and in 2017 it won the prestigious RIBA Stirling Prize for architecture<sup>244</sup> and Pier of The Year<sup>245</sup> awards. It was the success story of an iconic structure coming back to life using the community shares model.

However, this success did not continue, and in 2017 the organisation went into administration,<sup>246</sup> ultimately for the failure to repay a £100,000 debt owed to a social lender. The precise causes of the lack of cash remain opaque due to the society being liquidated as part of the eventual transfer of the Pier to private ownership. However, it is felt that a combination of higher-than-projected renovation costs caused the Pier to dedicate what had been designated as working capital towards the renovation. That in turn left them much less able to navigate their way through the first few years where they trying various revenue generating mixes until they hit on the correct formula.

This provides for a reflection on the need for project funding to allow enough working capital to bed in new operational plans, as without it the community business has pretty much just one chance to get it right, which is unrealistic. Institutions, partners and funders are often more interested in the more tangible impact of the first phase, and there is scope for more of a focus on the transition to day-to-day operations. And from the governance perspective, the organisation needs to ensure a balance of skills across the board from initial fundraising expertise to longer-term strategic vision, along with a passion and understanding of the nature of the underlying business itself. Crucially, it has to be sure to engage and utilise its stakeholder networks who are both sources of additional capital themselves, and stakeholders who can influence whether other public sector organisations can be pressed into support.

Community ownership ended with administrators selling the pier to the private owner of Bournemouth pier,<sup>247</sup> taking an asset which has received significant community and public investment quickly into private ownership. At the time of writing, a crowdfunding campaign is looking to fund unfair dismissal lawsuits brought by three safety engineers who have been dismissed by the current owner.

This case study raises questions of governance of community assets and transparency of decision-making, regarding how meaningful the involvement of community shareholders is in the crucial stages of a project and how the processes surrounding challenges and their outcomes can reflect the nature of a collaborative community project.

## Transforming from a grassroots volunteer group to a formal governance structure

Governance isn't often seen as a priority for community organisations to focus on from the start, as it is often seen as extra administration and only when it becomes an issue do people take notice (when it is harder to fix). There is a lack of understanding of the importance of ongoing good governance in supporting the organisation's long-term success. Organisations often don't have the time or money while setting up the organisation to consider innovative governance methods, and so go for standard models, as these are also likely to be considered more reliable by funders, despite the fact that the choice of model may determine their future options;<sup>248</sup> and once a model has already been embedded it is much harder to change, especially when more pressing operation issues arise.

The strength of coming from a grassroots community group can also present a big challenge. It is common for projects to start as a few neighbours around a kitchen table, often achieving a great amount with incredibly limited resources to get a project going. Original volunteers can be alienated by implementation of structure and processes, particularly when decision-making is moved away from volunteers to paid staff, and they may feel they are losing their voice in the organisation.

Unfamiliarity with the governance requirements of legal entities model often raises concerns around giving up control to shareholders and potential deviation from the original plan. The roles of different groups should be clearly defined, so that each is able to contribute meaningfully, with a balance of skills and experience to guide the project. For some, a core of fewer active members is better than having a majority that aren't interested. For others, this model provides an essential volunteer body, and a way to decrease the distance from the ultimate user.

**Anything that is a major change to what you said in your offer document should be something to consult your investors on, or if you're going into a second raise or new phase of investment.**

**Hugh Rolo, Development Adviser, Locality**

Having transitional governance arrangements in place to ensure strategic oversight continuity as the project transfers into community ownership can be useful, and in large, geographically fragmented projects, it sometimes makes sense to move to a structure where the central organisation provides support which enables the local grassroots community groups to run the project. There is always a balance to be drawn between involving people and being able to manage the decision-making effectively.



## Representing the community – ensuring equality, participation and inclusion

One of the emerging challenges is ensuring diversity of those investing in and governing community organisations. This largely centres on the concern that wealthier, more digitally savvy individuals with larger social networks will be more likely to be able to invest in or set up a crowdfunding offer, meaning that successful projects will be concentrated on wealthier areas of the city or country.<sup>249</sup> While the 10 per cent most deprived areas in the country are the home of a relatively large proportion of community share offers (12 per cent), the 10 – 30 per cent most deprived areas together represent only 11 per cent of offers,<sup>250</sup> suggesting that while attention is given to the worst off areas, those still facing challenges in less but still deprived areas are underrepresented.

When it comes to investors, past research has suggested that while the demographic profiles of those interested in making positive investments (generally, not just through crowdfunding) are close to that of the population as a whole, those who are currently making positive investments are on average richer, better educated and more likely to be male than the population as a whole.<sup>251</sup> Knowing the demographic of their community, and breaking down barriers to participation allows organisations to take steps towards diversity and inclusion. For example, both the Jubilee Pool<sup>252</sup> and The Bevy pub<sup>253</sup> sit within areas of deprivation, but in lowering their minimum investments to £10 or £20 for local residents they have gained wide community support. Another example is how the Clipper<sup>254</sup> allowed backers to purchase a share for a volunteer, and The Bevy pub enabling people to 'earn' their membership through volunteering hours.

Once we got to 100 people with mostly £10 shares that really attracted attention in the community pub world and in the council. They asked how we managed to engage this community. They are engaging as the people they are dealing with are residents themselves. It's about this community.

Iain Chambers, Community Projects Manager, The Bevy pub

Preconceived notions of what governance is and who takes on governance roles can put off a diverse group from getting involved; for example on charity boards, 51 per cent of trustees are retired, 62 per cent male and 92 per cent white.<sup>255</sup> Headingley Development Trust found that making board members present and visible at community activities can make the project more accessible and transparent. Furthermore, while social media marketing is undoubtedly important in attracting investors, in terms of accessibility some demographic groups are less likely to have access to or confidence in online platforms. Door knocking is something that is commonly missed out but is a good way to reach a wider range of people and can be successful in getting people to invest.



## Engaging young people

Young people are currently underrepresented with only 5 per cent of investors in community shares in 2014 being under 35.<sup>256</sup>

Research has shown that young people are less likely to be satisfied with their local area than older age groups,<sup>257</sup> suggesting there may be untapped potential in empowering them to lead in local regeneration. Furthermore, while young people often don't have the financial resources to invest, they are the most likely age group to volunteer.<sup>258</sup> Therefore, involving them more in governance could be a good step to increasing their engagement in community projects.

The Youth Envisioned Streets project in southern Los Angeles showed how youth participation can be applied to civic community place-making.<sup>259</sup> They used donations-crowdfunding to raise funding for a project which got young people to design solutions to make their local area healthier through street improvements. The emphasis was on getting them involved in every aspect of the project so that they developed skills in running such projects.<sup>260</sup>



## Concerns about relationship with government funding

One of the most common critiques of civic crowdfunding is that it is subsidising cuts to public services and the same concerns have been directed at investment-based models.

Often, shrinking local budgets<sup>261</sup> mean that authorities look to sell assets<sup>262</sup> to raise funds for operational costs.<sup>263</sup> The loss of assets and facilities such as community centres, libraries and playgrounds<sup>264</sup> has come at a cost for many communities. There has been concern raised about any movement of core assets or services out of the hands of local authorities,<sup>265</sup> whether to community groups or private companies. Some have even argued that crowdfunding to keep such assets open actually encourages public sector funders to withdraw from funding services that should be paid for by the taxpayer<sup>266</sup> or that it is a 'Trojan horse' for privatisation.<sup>267</sup>

However, crowdfunding is not itself the force behind a retrenchment of public funding, which is driven by numerous other complex economic and political factors. In addition, very few projects have been an obvious replacement for something that was previously provided by the state. Rather, the majority of projects using investment crowdfunding sit well outside the core of public service provision.

Moreover, local authorities are not always the best body to deliver a particular service or facility, and might do better to work with a local grassroots group instead,<sup>268, 269</sup> The Nesta Rethinking Parks project looks for ways for community groups to support the development of publicly-owned green spaces, developing innovative methods for sustainable ongoing operation.<sup>270</sup> There are different ways of approaching the situation, and innovative solutions to facilitate community projects which meet the needs of the community in new ways and make public funding go further.<sup>271</sup>



## Chapter 4

How local  
and city  
government and  
foundations  
can support  
community  
investment

**Local authorities have long recognised that their role is not just to provide services, but to create the enabling environment for communities to thrive. With local government now engaging proactively in place-making initiatives, more energy is being put into identifying the levers which can be used to encourage and support community engagement in social and regeneration initiatives. City authorities are equally able to enable this activity on a larger scale. However, despite clear benefits for urban regeneration, arts and green spaces in particular, crowdfunded community investment has not caught on in large cities, particularly London, to the extent that it has in rural communities. Whether this is due to less affordable property prices, more transient populations or something else, evidence from this study suggests that the need and the resource is there.<sup>272</sup>**

These institutions are uniquely placed to provide access to assets, detailed knowledge on planning and development and dedicated funds for community development and regeneration that could be allocated to this area. There is also an opportunity for these and other institutions to aim support at community projects in specific thematic areas that they see as being a priority, such as green spaces or affordable housing.<sup>273</sup> Ultimately this activity can support otherwise unachievable physical and social regeneration, strengthen empowerment, wellbeing and self-determination of communities to shape their areas.

As demonstrated throughout this report there are several opportunities and benefits in investment crowdfunding for both community organisations and their supporters. However, there are also some significant challenges for community organisation raising funding in this way. These range from gaining access to assets and planning and running a successful campaign, to transitioning to running a sustainable organisation which represents the community. When communities are able to address and manage these obstacles, the opportunities far outweigh them. However, there is currently a lack of understanding from institutions that support community organisations in what they can do to help them through these challenges.

Below we put forward a range of ways institutions can help community organisations to make the most of the opportunities and overcome some of the challenges in investment crowdfunding. This will be particular relevance to cities and local authorities but many of these support measures are also relevant for trusts, foundations, and corporates (through CSR programmes) interested in supporting community building.

Importantly, however, supporting community-led initiatives is not just about standalone interventions. These must go hand-in-hand with a different kind of local authority, with a different culture, ways of working and relationship with communities. This is just one set of tools that fit into that process, other tools which Nesta has explored include participatory budgeting<sup>274</sup> and the use of digital democracy tools.<sup>275</sup>



## Provide flexible funding options

**Solution to the challenges of:** planning and running a successful investment crowdfunding campaign; transitioning from fundraising to running a community business

The most obvious opportunity for institutional support is through providing direct funding (such as grants, loans or buying shares) to support community organisations and ensuring that these are flexible and adapted to their funding needs. Alongside direct funding, institutions can leverage their own investment to build legitimacy around the project and help attract investment from the community and other institutions.

### Provide grant funding

#### Make startup grants available

The struggle to get the funds together to setup a crowdfunding campaign for a new project means that many projects never get beyond the idea stage. Small startup grants (<£20,000) from institutions, for activities such as business planning or paying legal and advisor fees, can be crucial in getting projects over this first hurdle. While £15,000 – £20,000 is estimated as a realistic startup grant, the complexity and scale of some initiatives (for example, in the case of GlenWyvis Distillery) means they will have much higher up-front costs and where possible funders should adapt their support to this.

The Reach Fund which offers up to £15,000 for investment readiness support<sup>276</sup> and Power to Change's Community Business Bright Ideas Fund, which offers to fund up to £15,000 in development and startup costs are examples of how other funders have done this.<sup>277, 278, 279</sup>

#### Offer operational support

After the initial set-up phase, projects often face a difficult period as they start day-to-day operations. There is much less funding available for when community businesses are up and running, but there is still a need for support at this stage. Particular gaps in funding identified by projects include the costs of additional legal, consultation or governance work, renovation or changing purpose of buildings. Additionally, the cycles of different grant-making organisations can have an impact on longer-term sustainability for such initiatives, and their ability to plan ahead. Giving notice of when application windows will be open in advance and assessing ongoing applications as they come in throughout a longer period are two ways to further ease this challenge.

In London, Lambeth Council has created a match funding scheme which enables community projects to gain funding when their project is linked to a Co-operative Local Investment Plan (CLIP)<sup>280</sup> – a way in which Community Infrastructure Levy funding is allocated to local areas.<sup>281</sup>

## Use loans to bridge funding gaps

Projects often require funds to bridge the gap until other income is received or to fund a capital purchase (e.g. helping to purchase a building which has become available within a short time window available). Institutional investment can have a positive impact on the reputation of a project, as well as very practically in securing ownership of the asset.

The Plunkett Foundation, through their More than a Pub programme, offers combined loan and grant packages of up to £100,000 towards capital costs for community groups who wish to take ownership of their local pub. Similarly, Plymouth City Council offer loan and grant packages of £15,000 to £80,000 to groups bringing redundant buildings back into use in the city.

Loans can also be offered outside of formal programmes. The Clipper project, for example, was supported by an £85,000 low-interest, one-year bridging loan by Plymouth City Council. This enabled them to buy the property before it could be sold to another buyer, while the group sourced the investment they needed from the community.

Local authorities could use their access to cheap finance from sources such as the Public Works Loan to fund loans to community groups.<sup>282</sup>

## Set up a matched (investment) crowdfunding scheme

Matched crowdfunding involves institutional funders matching donations or investments made by individuals through crowdfunding with their own funding. These schemes can help community projects unlock the financial and non-financial opportunities associated with crowdfunding as well as help institutional funders find new projects to support, particularly projects that the public has shown that they value by investing in themselves.<sup>283</sup>

Match funding has been widely used by foundations and local authorities to support donations based crowdfunding campaigns. One example of this is the Crowdfund London scheme which offers grants of up to £50,000 to community-led projects crowdfunding.<sup>284</sup>

Some funders are beginning to offer matched investment (rather than grants) through crowdfunding platforms. For example, Power to Change's Community Shares Booster Programme aims to support community businesses in launching a community shares offer by matching the amount they are able to raise with an investment of up to £100,000 (also see Big Society Capital's CrowdMatch Fund in our case study on page 72). On a more informal ad-hoc basis, Plymouth City Council invested £20,000 in The Clipper Pub through their community shares crowdfunding campaign.

## Provide convertible grants

Some community businesses may go on to make considerable commercial profit in the future. In such cases, grant funding may not seem an appropriate use of public benefit funds, but at the same time there may be little evidence to support a credible investment, and therefore funders need to start with a mind-set that the money will be not be regained.

A convertible grant is a grant that converts to a loan or equity once milestones are met, for example revenue targets. In this way, convertible grants recognise the contribution of the grant making organisation by giving a return if the grantee meets certain levels of pre-defined success, for example revenue targets.<sup>285</sup>



## Case study

# Big Society Capital



**Organisation type:** Independent social investment institution

**Intervention type(s):** Investment (equity and debt), Awareness raising

Big Society Capital is an independent social investment institution set up by the Cabinet Office in 2012 to stimulate the social investment market in the UK and connect capital to charities and social enterprises. BSC was set up with a £600 million fund coming from dormant bank accounts, via Reclaim Fund,<sup>286</sup> and four leading UK high street banks.

BSC does not invest directly into frontline organisations but rather works through social investment finance intermediaries including crowdfunding platforms, fund managers and social banks, who in turn give financial or other support to social sector organisations. BSC has now made over £1 billion of investment available to organisations with a social mission through more than 50 different investment funds.<sup>287</sup> Alongside this BSC also helps raise awareness around social investment through its 'Good Finance' website.<sup>288</sup> Below we focus on two funds that we think are particularly relevant:

**The CrowdMatch Fund (2016)** is a £10 million fund invested by BSC to match crowdfunded investments<sup>289</sup> (community shares, bond or loans) made by individuals into Social Investment Tax Relief (SITR) eligible organisations through the Crowdfunder, Ethex or Community Chest crowdfunding platforms. It aimed to encourage greater participation in social investment crowdfunding, use of social investment tax relief and discovery of new routes to finance by bringing retail investors into the mix. They recognised

the potential benefits around market testing, awareness raising and giving more flexibility to fundraisers through crowdfunding. The match aimed to help build confidence and momentum for issuers and investors. BSC has invested over £3 million in ten social organisations through the CrowdMatch Fund including £100,000 in community shares into The Spotted Cow,<sup>290</sup> a pub, saved from being turned into housing by becoming a bar, restaurant, Post Office and B&B all under one roof. Alongside BSC's investment the pub raised £190,860 from individuals.

**The Charity Bond Support Fund (2014)** is managed by Rathbones Investment Management. Through this fund, BSC are investing £30 million to support a range of charities and social enterprises in raising capital from investors via charity bonds. It aims to give charities the confidence to raise money through bonds at a time the market is still developing and there is a lack of track record of similar deals. Through this fund BSC can act as a 'backstop investor', buying up to a third of the total issue.<sup>291</sup> In order to ensure the fund 'crowds-in' rather than 'crowds-out' investors, they encourage distribution to investors elsewhere by charging arrangers a fee if BSC purchases more than 15 per cent through the fund. Greenwich Leisure Limited transforms new sports facilities as accessible community facilities. For this they raised £5 million through charity bonds, 50 per cent from retail investors through Ethex and 50 per cent from institutions alongside BSC including City Bridge Trust and the Phone Co-op.<sup>292</sup>



## Help communities to access land and buildings

**Solution to the challenges of:** gaining access to assets for community use

One of the key challenges for community initiatives is gaining access to assets such as land and buildings for their projects. Local authorities in particular are uniquely placed to support community groups with identifying available assets, understanding and supporting how to transfer (often publicly-owned) assets to community ownership and other forms of access and rights to use of assets.

### Help groups find land

The first barrier to accessing unused spaces is often finding out who owns the land – which can lead to long delays and loss of community interest.

While some local authorities have more of this information available than others, aggregation of data on publicly-owned land, and making it easier to access this type of information, could reduce friction and make the process significantly easier. A good illustration of the scale of this challenge is how a recent study found that 'only one out of 33 London borough councils publishes a database of vacant property and only one council keeps a list of groups interested in vacant spaces.'<sup>293</sup>

To ease this process, Energy Garden does all of the negotiation on access to land with station owners, so that community groups can focus on the gardening, and the landowners have one long-term point of contact (see our case study on [page 61](#)). A different approach is the Dutch 'Crowdbuilding' platform, which matches vacant buildings or land with people who then come together to create a community development.<sup>294</sup> In a similar way, local authorities could act as matchmakers between community groups and land or property owners.

### Ease the process of asset transfer

Community Asset Transfer refers to the transfer of land or buildings from a public body (usually a local authority) to a community-based organisation at less than market value and is one of the main ways in which communities can gain access to assets to develop.

An example of a successful asset transfer is Jubilee Pool, where decreasing local authority budgets meant that the asset was not being properly maintained, and the authority was able to recognise that it would make sense to not have the asset on their books anymore, instead handing it over to a community group. However, while there are a range of benefits to local authorities as well as to community groups in this process,<sup>295</sup> a lack of understanding and support to manage transfer of assets is keeping both parties from making the most of this tool.

There is a range of online resources available for organisations and local authorities looking to transfer assets from public into community ownership.<sup>296</sup> However, there is potential to develop these and raise awareness more widely to break down some of the barriers. For example, it has been suggested that stakeholders, such as local authorities, should: 'share details of the outcomes of their asset reviews and asset planning processes; provide opportunities for involvement in shaping of community asset transfer policy and associated procedures, particularly where they affect assessment of options for asset use/disposal and any assessment processes for community-based organisations to qualify for transfer of assets and; provide details and contacts for other organisations who have developed or accepted an asset transfer'.<sup>297</sup>

### Support for community land ownership in Scotland

In Scotland, a combination of support mechanisms has enabled the growth of community land ownership across the country. Historically, land ownership was concentrated in a few hands, which set the scene for the national land reform legislation. The Community Right to Buy allows communities to register an interest in land and the opportunity to buy that land at market value when it comes up for sale. The scheme was designed to give communities the right to gain ownership of the land they live on if at some point the owner wishes to sell. While this was originally concentrated in the rural Highlands and Islands, in 2016 this was extended to urban areas.<sup>298</sup> Funding support comes from the Scottish Land Fund<sup>299</sup> –

which can fund up to 90 per cent of the purchase price of land, and The Scottish Government has set up a central pot of four funds to empower communities in community-led regeneration projects.<sup>300</sup> In terms of support in navigating the processes, the Community Land Scotland<sup>301</sup> group supports a network of members undertaking this journey, and several government initiatives also support the growth of community business. Across the UK different mechanisms are in place. For example, the Community Right to Bid in England allows the community to pause the sale of an asset for six months in order to get their own bid together, but puts the owner under no obligation to accept a community bid if one is made.

### Co-ordinate financial support for purchase of assets

Groups often face pressure in the timeline of the purchase process for assets due to the time it takes to prepare a community, set up and run a community investment initiative. For example, when an asset is listed as an Asset of Community Value in England, community groups have a six month timeframe in which the group must find the money needed. Institutions can help ease this time pressure by offering bridging loans, buying/securing the asset while community investment is being raised or by subsidising the purchase.

Examples include Telford and Wrekin Council which secured the football ground for AFC Telford United while they sourced investment<sup>302</sup> and The Forest of Dean Council which purchased a derelict pub to secure it for a community group while they raised investment through community shares.<sup>303</sup>

Photo: Projekts MCR Skatepark



Projekts MCR Skatepark

## Lend unused space and support meanwhile use of buildings

Particularly in urban areas, community groups can have difficulty in finding spaces to establish their projects. One way of helping projects overcome this barrier is for local and city authorities to lend unused space, either on a meanwhile or permanent basis. Having access to a temporary space can help a project try out their model and prove its viability, helping strengthen the case for finding a permanent space.<sup>304</sup> An example of this is the Migration Museum<sup>305</sup> which is currently set up in a former London fire engine workshop, but has seen the opportunity as a way to prove that their concept works.<sup>306</sup>

To aid this type of support, the City of Amsterdam has developed a platform for renting out underused government office space.<sup>307</sup> In New York City, the Mayor's Office of Environmental Remediation has been running an initiative to clean up brownfield sites and prepare them for reuse to the benefit of surrounding communities.<sup>308</sup> They have completed 300 sites since 2014, including the development of a project to transfer clean soil from such sites to use in community gardens.<sup>309</sup> The feasibility of similar projects could be explored by cities in the UK.

Local authorities can play a role in supporting this type of use to happen, making the process quicker and easier for community groups with ideas (e.g. by enabling quick turnaround of documents giving permission to use spaces, or alerting community groups when local authority-owned spaces become available). Furthermore, it is helpful for local authorities to give community groups clear expectations on how long they will be able to use any space.

New research suggests that in the UK there is an appetite for temporary use of empty buildings to be supported, with 70 per cent of people preferring to see a charity use a shop than to see it left empty.<sup>310</sup>





## Develop active communities and their relationship with local and city government

**Solution to the challenges of:** planning and running a successful investment crowdfunding campaign; transitioning from fundraising to running a community business, representing the community – ensuring equality, participation and inclusion

Relationships are at the heart of successful community-initiatives. Without an active community, it is unlikely that a project will get started in the first place and without good relationships with local and city government they are unlikely to succeed in the long-term. However, starting and maintaining these relationships can be a challenge for both projects and authorities. Below we discuss a range of ways which local authorities can help foster effective relationships both within communities and between communities and themselves.

### Facilitate community building

Having a chance to meet and get to know your neighbours, understand what issues they face or hopes they have for the area, and their skills and experience can be the first step in forming a community group. Finding the opportunity to do this can be a challenge, particularly in larger cities with transient populations, where getting to know your neighbours can be more difficult than in rural villages.

Institutions can help bring communities together and facilitate these conversations to happen by running and supporting both informal and more formal events. Informal events such as community street parties or fetes can provide a place where people can meet other members of their community, build civic pride, as well as give a stage for community groups to share what they are doing.<sup>311</sup> More formal events can bring people together to discuss a particular issue such as how to fight antisocial behaviour or what to do about derelict buildings in the area.

Projects themselves have reported workshops and conferences as being a good tool to bring people together around a project idea, emphasising the need to spend time building the community network before launching a project.<sup>312</sup> Situating these events in public spaces may be a way to encourage civic engagement and diversity in those involved.<sup>313</sup>

### Work in collaboration with community groups

Collaborative relationships between institutions and projects,<sup>314</sup> based on more than just financial support, are required to ensure desired outcomes are reached for both parties. Local authorities and other institutions can create better relationships with projects by moving beyond consultation to more collaborative approaches, working on a strategy for the role of community groups in the area, finding shared strategic priorities and proactively reaching out to community groups working in key areas and working to support this with internal skills/resources.

Digital tools are enabling more effective collaboration with communities (with an 'Open Government' approach<sup>315</sup>), for instance the City of Murcia is using them to establish a dialogue with their citizens rather than providing top-down information.<sup>316</sup> Moving beyond consultation in Los Angeles, the Mayor worked with the crowdfunding platform ioby<sup>317</sup> to empower community groups to create small-scale projects to calm traffic and improve the streetscape, giving each project a budget and then matching crowdfunded donations.<sup>318</sup> This goes beyond the typical matched crowdfunding model by pairing it with startup grants and most importantly, the responsibility and trust to fix an identified issue in the local area.

Using digital tools to move beyond consultation towards collaborative working has the potential to create powerful partnerships that combine local knowledge and networks with institutional funding. However, as with all digital tools it is important to consider whether all groups in the population can participate. Institutions must be careful to use blended approaches which increase participation rather than exacerbating existing inequalities. At the same time, they should ensure there is an understood purpose for collaboration and to avoid the risk in pursuing engagement for engagement sake.<sup>319</sup>

Articulating the role that community businesses play in an area through a strategic plan can provide clarity for stakeholders and also help link up funding and build partnerships between those working towards shared goals. In Bristol, for example, stakeholders from across the city have come together to create the One City plan – a vision of shared goals to be worked towards in a collaborative and interactive way.<sup>320</sup> Voluntary and community groups have been included in this process from the start, embedding their role as a function of the city in contributing towards its goals.<sup>321</sup>

Another example of a city-wide strategy for a collaborative system is the Preston model<sup>322</sup>, whereby the local authority facilitates the creation of a network of co-operatives from anchor institutions (such as universities and hospitals) in the area, who then commit to partnering as much as possible with smaller local co-operatives for procurement, to enable benefits to be generated and kept within the local area.<sup>323</sup>

Below are some suggestions for how to build upon the roles and relationships of community groups in a local area, which could be built into an authority's strategy plan:

- Community-led planning: asking the community what they value and actually giving power to what they say.
- Citizens' juries: could help decide which community groups should be supported and to understand how they can do what they do better.<sup>324</sup>
- Developing relationships between different types and sizes of organisations in an area for the biggest impact.
- Working out what are the things that should be community owned and how to make that happen.
- Creation of public innovation panels – cohorts of people who local authorities can engage with when looking to do something new.<sup>325</sup>
- Innovation labs and internal hack days.
- Digital inclusion programmes.<sup>326</sup>

The development of a clear role for community groups could lead to a more proactive approach in local and city authorities reaching out to groups working in the key strategic areas identified in local plans.<sup>327, 328</sup> For example, Plymouth City Council commissioned the set-up of the Plymouth Energy Community co-operative<sup>329</sup> as an initiative to help reduce fuel poverty and carbon emissions. They supported the community group by providing a startup loan and grant, as well as support with the development of the business plan.<sup>330</sup>

In addition to the provision of training, institutions can work collaboratively by sharing internal skills and resources. When developing the Jubilee Pool, the local authority worked to find ways that internal resources could support the development of the community's geothermal project, giving the project advice and support from their renewable energy team, and free use of office space to develop plans.<sup>331</sup>

**It's about having access to resources and advice that you wouldn't be able to get yourself, understanding that you are working with mutually similar aims.**

**Susan Stuart, Director, Jubilee Pool Penzance Limited**

### **Advocate community ownership**

Local authorities and politicians can use their influence to raise awareness and to undertake advocacy activities on behalf of community initiatives. This could involve both helping individual projects overcome specific barriers, as well as lobbying for policy changes to create a more supportive environment for community groups in general. In Bamford, the local Member of Parliament helped influence the owner of the local pub to sell to the community after its registration as an asset of community value, when they were looking to instead make a private sale.

**Because of the number that pledged to take part, it attracted the attention of social investors, the council, police and social departments – it's better to bring people together than for them to be alone.**

**Iain Chambers, Community Projects Manager, The Bevy pub**

Projects expressed views on how regulation should be changed around tax and business rate exemptions for community organisations, as well as how social investment tax relief should be enlarged to include leasing activities (currently excluded) which many community-run spaces rely on when hiring space to the community. Politicians should make sure to listen to and understand what would help community organisations thrive and lobby for policy changes accordingly.<sup>332</sup>

**It needs national leadership cascading down to local level, with a programme proactively championing this within local government.**

**Chris Cowcher, Head of Community Business, Plunkett Foundation**

## Case study

## Plymouth City Council



**Organisation type:** Local Authority (unitary)

**Intervention type(s):** Social enterprise strategy, crowdfunding platform, grant, grant and loan, network

Residents' interest in a new type of economy<sup>333</sup> combined with the need for urban regeneration<sup>334</sup> and the council's desire to do things differently with shrinking local authority budgets<sup>335</sup> provided the drive for Plymouth to brand itself the UK's first 'Social Enterprise City'.<sup>336</sup> The branding of the city as such and the strength of its commitment<sup>337</sup> to collaborative working between the City Council, social enterprises and local communities has brought in external funding and enabled projects to find solutions to social issues which will work in the local context.

In order to galvanize the change, the Plymouth City Council became a 'co-operative council' as part of the Local Government Association's Co-operative Council Innovation Network, a group of local authorities 'who are committed to finding better ways of working for, and with, local people for the benefit of their local community'.<sup>338</sup> They pledged to explore 'doubling the co-operatives and mutuals economy'<sup>339</sup> in the City and published a Strategic Action Plan to achieve this focusing on wellbeing; infrastructure; technology and creative industry; cultural and community hubs; and municipal co-operation.<sup>340</sup>

Plymouth's social enterprises have brought in £500 million of income, employing 7,000 people.<sup>341</sup> Key players include the University of Plymouth (first Social Enterprise University in the world) and large community housing and healthcare organisations, but the number of smaller businesses becoming involved in social enterprise is growing too.<sup>342</sup> Contributing to this has been

the Council's commitment to provide match funding to over 200<sup>343</sup> crowdfunded projects up to £20,000 each<sup>344</sup> from Community Infrastructure Levy funds<sup>345</sup> and the designated £2.5 million<sup>346</sup> Social Enterprise Investment Fund which offers a combination of grant and loan funding to get projects up and running.<sup>347</sup> The Clipper by Nudge Community Builders is one project which has benefited from this to enable the purchase of their building.

The Council additionally supports the Plymouth Social Enterprise Network which feeds into their Economic Development policy and processes, such as the Plymouth Growth Board<sup>348</sup> and has been a sponsor of the Social Enterprise City Festival.<sup>349</sup> Crucially, the Council's long-term view<sup>350</sup> of developing the role social enterprises in the city has led to continued interest from external funders e.g. Power to Change, Esmée Fairbairn, Seedbed and the EU's 'Enhance Social Enterprise Programme'.<sup>351</sup> Additional funding has been announced for the digital technology cultural initiative iMayflower<sup>352</sup> (£3.5 million from the government's Cultural Development Fund, partnership with Crowdfunder and Creative England<sup>353</sup>) and from the Careers and Enterprise Company to increase employability engagement with SEND young people ("£61,000").<sup>354</sup> The Council has also committed to recycle loan repayments from the Social Enterprise Investment Fund into a Co-operatives and Mutuals Development Fund which will make £1.2 million available for Community Share investments.





## Invest in skills, awareness and capacity building

**Solution to the challenges of:** planning and running a successful investment crowdfunding campaign; transitioning from fundraising to running a community business, representing the community – ensuring equality, participation and inclusion

Many of the organisations that could benefit from crowdfunded community investment have little or no idea what it is, and those who do often don't know how to get started or think it is not a viable option for them. Investing in skills awareness and capacity building could help broaden the uptake and develop better more sustainable initiatives.

Support needs from projects range from advice on, running a crowdfunding campaign, investment and fundraising, planning and running a business,<sup>355</sup> organisational governance and project management.

There are several ways in which training can be offered including in person events,<sup>356</sup> webinars<sup>357</sup> or through downloadable guides and toolkits.<sup>358</sup> Training can be offered by the supporting institution itself, in partnership with third party training providers, or by offering grants for community groups to choose from external training opportunities that best suit their needs. There is also an opportunity to use training opportunities to increase diversity and inclusion by proactively reaching out and offering training to previously uninvolved groups or demographics to develop the next generation of community group leaders.

Photo: Energy Garden



Energy Garden

The lack of opportunities for knowledge sharing was seen as a big challenge by projects. Institutions can help link projects with other groups doing similar things, from which they can learn, by running events or creating online spaces where projects can share and ask questions. Examples of peer networks facilitated by institutions include Plymouth City Council's support of the local Social Enterprise Network<sup>359</sup> and the Plunkett Foundation's work establishing a community pubs and a community shops network. The latter includes popular social media groups, showing that effective interventions can be relatively light touch. For further information, Power to Change has put together a directory of all existing networks on their website<sup>360</sup> alongside resources which aim to support creation of new networks.<sup>361</sup>

Related to this, even within the sector, options for community investment are not well-known.<sup>362</sup> Anything that can be done to promote and raise awareness of these tools will broaden their reach and impact. Institutions can help raise awareness of the possibilities of community investment tools by sharing information and stories of successful projects either online,<sup>363</sup> in print or through events.

There are a range of existing tools and guides available for institutions to use and disseminate. For example, The Pub is the Hub have an online guide for people interested in setting up a community pub.<sup>364</sup> This report should also go some way to fulfil this need, and we encourage a wider range of institutions to copy or modify the information here in a way that best fits the needs of the groups they support.

We're now going to visit other projects. They can then make leaps ahead and make fewer mistakes. You can learn more in one day than in a week on the internet. Face-to-face matters. People say I'm worried that I'm not good enough, it's not for people like me, in low income areas. Well we do and did it in Brighton in The Bevy, so you can too!

Iain Chambers, Community Projects Manager, The Bevy pub

## CASE STUDY

# Power to Change



**Organisation type:** Charitable Trust

**Intervention type(s):** Grant, match grant, loan and grant, grant and match equity

Power to Change is an independent charitable trust which aims to create better places through community business, financed by a £149 million endowment from the Big Lottery Fund.<sup>365</sup> Their definition sees community business as locally rooted, trading for the benefit of the local community, accountable to the local community and with broad community impact.<sup>366</sup>

They provide funding, advice and support in England through a range of different programmes, from feasibility grant funding for community-led housing developments to blended capital loans to help community enterprises access capital.<sup>367</sup> Established in 2015, it is a ten-year initiative with support packages for community businesses which are either starting out, or growing.<sup>368</sup> We share one example of each below.

**Community Share Starter Fund** – To help organisations prepare for a community shares raise, many first raise funding for startup costs through running a donations or rewards-based crowdfunding campaign. This £85,000 fund<sup>369</sup> aims to fill a gap in the market, by match funding this initial crowdfunding (e.g. for feasibility work, producing offer documents,<sup>370</sup> business development support and getting the community ready<sup>371</sup>). The project must crowdfund using Crowdfunder, with Power to Change then providing match funding (grant) of 50 per cent of the total startup funding required, up to £6,000.<sup>372</sup> For example, Power to Change provided

Equal Care Co-op with £6,000 as part of their £22,050 crowdfunding campaign to prepare for their upcoming community shares raise.<sup>373</sup> In addition, Power to Change has relaunched the Bright Ideas Fund that will provide £3 million to support 150 new community groups over the next two years. Community groups looking to set up and start running a community business can apply to receive tailored business development support and a small grant of up to £15,000 to fund development and startup costs.<sup>374</sup>

**Community Shares Booster Programme** – A £3 million rolling programme, over three years offering development grants of up to £10,000 (for those developing the offer/business plan and working towards the Community Shares Standard Mark<sup>375</sup>) and matched equity investments of up to £100,000 to help 'boost' campaigns<sup>376</sup> (for those about to/raising community shares<sup>377</sup>). The programme is funded by Power to Change and delivered by the Community Shares Unit<sup>378</sup> (a joint initiative between Co-operatives UK and Locality<sup>379</sup>).

In addition, Power to Change offer a number of other funds including the Community Business Fund grant funding to support ongoing sustainable operation of community businesses,<sup>380</sup> the More than a Pub programme (led by the Plunkett Foundation), as well as producing research on trends in the sector (e.g. on community pubs and shops).<sup>381</sup>

# Discussion

## Institutions need to cater the support they offer to the communities or issues they are looking to serve

In this report we put forward a range of ways in which institutions can help community groups through the challenges they face, from sharing success stories to offering set-up grants or providing training opportunities. The level of commitment required for these interventions varies greatly, and the specific challenges they help tackle are different. It is therefore up to institutions to choose which works best for them given what resources they have at their disposal and the barriers which resonate most with the communities they serve.

Nevertheless, some types of institutions are better positioned than others to address particular challenges. For example, our research suggests that local authorities are probably best positioned to help projects access unused space, whether through the transfer of public sector assets or by acting as a matchmaker between private owners of unused spaces and community groups. However, trusts or foundations with a very specific remit are probably better situated to offer substantial grants or investment into more specialist or niche areas such as pubs or heritage which may have less obvious benefits to the whole community.

When local and national government create initiatives to support crowdfunding for projects in the public realm, they must do what they can to reassure the public that the aim is not to replace public funding of assets or services that are already being paid for through taxes, but rather to allow communities to address local challenges not currently funded or dealt with by the state (or just make their area better). It is also the responsibility of all institutions working to support community groups to do so in a way that encourages participation that is representative of a community's diversity. For example, through diversity requirements when accessing funding, by ensuring that schemes are advertised such that everyone in a community can find out about opportunities for support, and by investing in skills and training to open up involvement to a broader range of people. Importantly, local authorities should take a strategic outlook when working with community groups to understand where community initiatives could add to and enhance public service provision especially around priority areas.

# Glossary

**Asset** – an item of property (e.g. a building) which is owned by an individual or group of individuals, with value and which can meet debts or commitments.<sup>382</sup>

**Asset lock** – a provision in rules of an organisation (required or voluntary) that ensures that the benefit of an asset stays with the community, rather than for the private benefit of members (e.g. if the asset is sold, any profit stays with the community).<sup>383</sup>

**Capital investment** – money given to a business or organisation to further its business objectives.<sup>384</sup>

**Civic crowdfunding** – raising money for a public or community project through contributions from a pool of donors or investors.<sup>385</sup>

**Community Interest Company** – a company legal form designed for organisations such as social enterprises which want to put their profits and assets towards community benefit.<sup>386</sup>

**Companies House** – register of limited companies in the United Kingdom.<sup>387</sup>

**Crowdfunding platform** – an online space for projects to gain funding for their project, through being a space to share their idea and receive donations or investments from a pool of people.

**Debenture** – a type of debt that is not secured by an asset or other property.<sup>388</sup>

**Default** – to fail to meet a (financial) obligation.<sup>389</sup>

**Feed-in-tariff** – payments given to those who generate their own energy e.g. through solar or wind energy.<sup>390</sup>

**Financial Conduct Authority (FCA)** – regulator of the conduct of financial services firms and financial markets in the UK.<sup>391</sup>

**Financial Promotion Order** – legal restrictions on communication to potential investors, which must be approved by an FCA authorised person in certain cases.<sup>392</sup>

**High-net-worth individual** – an individual with liquid assets above a certain figure.<sup>393</sup>

**Land banking** – the practice of aggregating parcels of land for future sale or development.

**Legal entity** – a construct (such as a company or co-operative) that is recognised by the law as having certain rights and obligations.<sup>394</sup>

**Liquidity** – a measure of how easily assets can be converted into cash.<sup>395</sup>

**Loan stock** – stock issued to an organisation, which is in return for a loan.<sup>396</sup>

**Place-making** – a strategic view and practical approach to collaborative creating and shaping of spaces.<sup>397</sup>

**Prospectus** – a legal document setting out the financial offer.<sup>398</sup>

**Quasi-debt** – a loan that has some characteristics of debt and some of equity.<sup>399</sup>

**Quasi-equity** – a type of finance with some features of equity and some of debt.<sup>400</sup>

**Regeneration** – a process of renewal or revival.

**Social infrastructure** – services and facilities that contribute towards improvements in quality of life.<sup>401</sup>

**Surplus** – an amount (of money) that is more than what is needed.<sup>402</sup>



# Endnotes

## Introduction

1. 'The Clipper Share Offer', Crowdfunder campaign, see: <https://www.crowdfunder.co.uk/clippershares>
2. Nesta's crowdfunding work. See: <https://www.nesta.org.uk/project/crowdfunding/>
3. Inquiry jointly commissioned by the inquiry participants (2019) 'Protecting Community Assets', see: <http://www.protecting-community-assets.org.uk/>
4. For full list, see Acknowledgements section of this report.

## Chapter 1

5. There are multiple different ways to define a 'community'. Our definition draws on several given by the Oxford Dictionary. See: <https://en.oxforddictionaries.com/definition/community>
6. A community can range from a just few individuals to thousands and any one person is likely to simultaneously be the member of several different types of community and can move between communities over time. Members of a community typically have the opportunity to interact with one another on a regular basis either in person or through an online platform. In the case of a community organisation, the community is a group of individuals that use, volunteer with, work for or otherwise directly benefit from that organisations activities.
7. For examples of social investment work, see: 'Growing a culture of social impact investing in the UK' Advisory Group to the Department for Digital, Culture, Media and Sport (2017) <https://www.gov.uk/government/publications/growing-a-culture-of-social-impact-investing-in-the-uk>; and 'Social Impact Investment 2019' OECD (2019) [https://www.oecd-ilibrary.org/development/social-impact-investment-2019\\_9789264311299-en](https://www.oecd-ilibrary.org/development/social-impact-investment-2019_9789264311299-en)
8. For example, The George and Dragon pub in Hudswell. See: <https://www.georgeanddragonhudswell.co.uk/community-pub>
9. See also: Nudge Community Builders in Plymouth: <https://nudge.community/>; and Heart of Hastings Community Land Trust: <https://www.heartofhastings.org.uk/>
10. In 2015, Positive News, a UK-based but globally distributed magazine which is dedicated to reporting good things that are happening, raised £262,922 from 1525 community share investors from over 33 countries. Following this, in 2016 The Community Channel (now called 'Together'), a TV channel dedicated to telling stories about everyday people, issued a community share offer in, raising, £391,990 with 302 investors, in order to bring the channel closer to the people it serves and help enable them to grow and become self-sustaining. New Internationalist raised over £700,000 in 2017 to enable re-orientation of the magazine in the face of challenges to print-based media from the internet.
11. Platform co-operatives are digital platforms designed to provide a service or sell a product that are owned and governed by the people who depend on and participate in it. See: 'Borkin, S. (2019), 'Platform Co-operatives: solving the capital conundrum', Nesta and Co-operatives UK: [https://media.nesta.org.uk/documents/Nesta\\_Platform\\_Report\\_AW\\_v4\\_3.pdf](https://media.nesta.org.uk/documents/Nesta_Platform_Report_AW_v4_3.pdf)
12. At the time of writing, Equal Care Co-op, a care and support platform co-op, are preparing a community share offer. <https://www.equalcare.coop/>
13. Plunkett Foundation, 'Community Shops', see: <https://plunkett.co.uk/community-shops/>
14. Plunkett Foundation, 'Community Shops: a better form of business' (2018), see: <https://plunkett.co.uk/wp-content/uploads/Better-Business-Shops-2018.pdf>
15. Plunkett Foundation, see endnote 13
16. Benedens 'Community shop - cafe - post office', see: <http://benendens.co.uk/>
17. Unicorn 'Manchester's Co-operative Grocery', see: <https://www.unicorn-grocery.coop/>
18. Campaign for Real Ale, 'Déjà-brew as pub closures stay high', see: [http://www.camra.org.uk/home/-/asset\\_publisher/UzG2SEmQMtPf/content/deja-brew-as-pub-closures-stay-high?\\_101\\_INSTANCE\\_UzG2SEmQMtPf\\_redirect=per%20cent2F](http://www.camra.org.uk/home/-/asset_publisher/UzG2SEmQMtPf/content/deja-brew-as-pub-closures-stay-high?_101_INSTANCE_UzG2SEmQMtPf_redirect=per%20cent2F)
19. Plunkett Foundation, 'Community Pubs: a better form of business' (2018), see: <https://plunkett.co.uk/wp-content/uploads/Better-Business-2018-Pubs.pdf>
20. Power to Change, 'The Anglers Rest Pub', see: <https://www.powertochange.org.uk/research/anglers-rest-case-study/>
21. My Community, Locality, 'The Ivy House pub – the first community owned pub', see: [https://mycommunity.org.uk/case\\_study/the-ivy-house-pub-the-first-community-owned-pub/](https://mycommunity.org.uk/case_study/the-ivy-house-pub-the-first-community-owned-pub/)
22. The Ivy House is now running its second community share issue.
23. [https://en.wikipedia.org/wiki/Category:Fan-owned\\_English\\_League\\_football\\_clubs](https://en.wikipedia.org/wiki/Category:Fan-owned_English_League_football_clubs)
24. Sussex Express, 'Club's new 3G pitch will be an asset to Lewes community' (14/07/15), see: <https://www.sussexexpress.co.uk/news/club-s-new-3g-pitch-will-be-an-asset-to-lewes-community-1-6842299>
25. Club Development Scotland, 'Community Shares', see: <http://www.clubdevelopment.scot/funding/community-shares/>
26. Ahmed, M (18/04/16) 'Harlequins looks to raise £15m through mini-bond', The FT: <https://www.ft.com/content/3d8c4cfa-032c-11e6-af1d-c47326021344>
27. Financial Times, ' ' (/), see: <https://www.ft.com/content/2c22c1fe-c925-11e2-bb56-00144feab7de>
28. Moore, M (17/08/15) 'Surrey cricket club positive on launch of £3.5m mini bond', The FT: <https://www.ft.com/content/4ec02a76-44d9-11e5-af2f-4d6e0e5eda22>

29. Richards, L., Vascott, D., Blandon, C., and Manger, L. (2018), 'What works: Successful community hubs', Power to Change, see: <https://www.powertochange.org.uk/wp-content/uploads/2018/03/Report-14-Success-Factors-Community-Hubs-DIGITAL.pdf>
30. Stretford Public Hall, see: <https://www.stretfordpublichall.org.uk/>
31. Portland Works, see: <https://www.portlandworks.co.uk/>
32. Love, C. (03/04/14), 'Home is where the art is: the centres bringing culture to communities', The Guardian, see: <https://www.theguardian.com/culture-professionals-network/culture-professionals-blog/2014/apr/03/home-art-centres-communities-cuts>
33. 'KomediaBath', Crowdfunder campaign, see: <https://www.crowdfunder.co.uk/komediabath>
34. B4RN -Broadband for the Rural North Ltd, see: <https://b4rn.org.uk/>
35. Lyon, M. (16/12/16), 'Strontian Community School Building Ltd - Share Issue launched', Community Shares Unit, see: <https://communityshares.org.uk/news/strontian-community-school-building-ltd-share-issue-launched>
36. Sustainable Hayfield (01/17), 'Hayfield Sustainable Transport Ltd (HSTL)', see: <http://www.hstl.org.uk/>
37. Estimates takes from Community Shares Units SEDL Dashboard, see: <http://sedl-dashboard.opendataservices.coop/>
38. Renewable energy projects typically offer competitive interest rates making them an attractive investment. Interest rates are typically between 5 per cent - 7 per cent per annum. See: Ethex, 'Positive savings and investments': [https://www.ethex.org.uk/savings-and-investments\\_16.html?sector=renewable-energy](https://www.ethex.org.uk/savings-and-investments_16.html?sector=renewable-energy)
39. Cardwell, P. (29/05/14) 'Community pours cash into hydro scheme', Third Force News, see: <http://thirdforcenews.org.uk/tfn-news/community-pours-cash-into-hydro-scheme>
40. Solar for Schools, bond issue, see: <https://www.ethex.org.uk/sfs>
41. The rapid growth in the number of projects like these was spurred on by the Government's Feed in Tariffs scheme in 2010 which provides payments to individuals and groups who generate their own renewable energy. However, feed-in tariff rates were cut for new installations from January 2016 and since then, the rates for new installations decreased every three months, significantly slowing the growth of the sector. At the end of March 2019 the scheme closed to new applications, we expect this will result in a further slowing in the sectors growth.
42. Press Association (09/06/18), 'More than 1m families waiting for social housing in England', The Guardian, see: <https://www.theguardian.com/society/2018/jun/09/more-than-1m-families-waiting-for-social-housing-in-england>
43. Leach, A. (30/05/18), 'No bubble to burst: could crowdfunding hold the key to affordable housing?', Positive News, see: <https://www.positive.news/economics/no-bubble-to-burst-could-crowdfunding-hold-the-key-to-affordable-housing/>
44. Abundance, Merseyside Assured Homes, see: <https://www.abundanceinvestment.com/investments/merseyside-assured-homes>
45. 'Sutton Community Farm Share Offer 2017', Crowdfunder campaign, see: <https://www.crowdfunder.co.uk/sutton-community-farm-shares>
46. Unicorn Grocery, Glebelands City Growers, see: <https://www.unicorn-grocery.coop/veg-growers/glebelands-city-growers/>
47. Antwerp Arms, see: <https://www.antwerparms.co.uk/>
48. The government has published guidance for community groups wanting to start a food growing project: Ministry of Housing, Communities & Local Government (22/08/12), 'Space for food growing: a guide', see: <https://www.gov.uk/government/publications/space-for-food-growing-a-guide>
49. 'Govanhill Baths New Health & Wellbeing Centre', Crowdfunder campaign, see: <https://www.crowdfunder.co.uk/govanhill-baths>
50. 'Shotley Pier', Crowdfunder campaign, see: <https://www.crowdfunder.co.uk/shotley-pier>
51. Vintage Trains, 'Vintage Trains Share Offer - Contents', see <http://www.vintagetrains.co.uk/offerinfo.aspx>
52. Headingley Development Trust, see: <http://www.headingleydevelopmenttrust.org.uk/>
53. Pidd, H. (25/02/18), 'Leeds suburb of Headingley launches own investment fund', The Guardian, see: <https://www.theguardian.com/uk-news/2018/feb/25/leeds-suburb-of-headingley-launches-own-investment-fund>
54. Drysdale, L. (31/05/18), 'Community share fund raises £476k to improve Leeds suburb', Yorkshire Evening News, see: <https://www.yorkshireeveningpost.co.uk/news/community-share-fund-raises-476k-to-improve-leeds-suburb-1-9188162>
55. Hill, C., Lynch, M., Curtis, J. (2007), 'Community Share and Bond Issues: the sharpest tool in the box', Development Trusts Association, see: <http://www.communityplanning.net/pub-film/pdf/CommunityShareAndBondIssues.pdf>
56. Headingley Development Trust, see endnote 52
57. Ibid.
58. Ibid.
59. Pidd, H., and Drysdale, L., see endnotes 53 and 54
60. Pidd, H., see endnote 53
61. Headingley Development Trust, see endnote 52
62. Pidd, H., see endnote 53
63. Headingley Development Trust, see endnote 52
64. From Community Shares Unit figures, Tableau Public, 'Community Shares Unit: Open Data Explorer - Profile', see: [https://public.tableau.com/profile/community.shares.unit#!/vizhome/Communitysharesopendataviz-Aug2017\\_0/Story1](https://public.tableau.com/profile/community.shares.unit#!/vizhome/Communitysharesopendataviz-Aug2017_0/Story1)
65. Community Shares Unit (2015), 'Inside the Market Report', see: [https://communityshares.org.uk/sites/default/files/resources/community\\_shares\\_-\\_inside\\_the\\_market\\_report\\_-\\_june\\_2015.pdf](https://communityshares.org.uk/sites/default/files/resources/community_shares_-_inside_the_market_report_-_june_2015.pdf)
66. 'Enterprise Directory', Community Shares Unit, see: <http://communityshares.org.uk/directory>

67. From Community Shares Unit figures, see endnote 64.
68. Zhang, B., Zeigler, T., Garvey, K., Ridler, S., Burton, J., and Yerolemou, N., see endnote 99.
69. Related to rise in rental and the associated insecurity, explored in Taylor, M. and Baker, L. (2018), 'The Future for Communities: Perspectives on power', Local Trust, see: [http://localtrust.org.uk/assets/downloads/documents/IVAR023per cent20Empoweredper cent20Communitiesper cent20Report\\_FINAL.pdf](http://localtrust.org.uk/assets/downloads/documents/IVAR023per cent20Empoweredper cent20Communitiesper cent20Report_FINAL.pdf)
70. Homegrown Films (2015), 'The Bevy : Blood, Sweat and Beers', on Vimeo, see: <https://vimeo.com/109565457>
71. The Bevy, see: <https://www.thebevy.co.uk/>
72. Carter, W. (07/04/17), 'We saved our ailing local pub – now it's the heart of the community', The Guardian, see: <https://www.theguardian.com/voluntary-sector-network/2017/apr/07/community-pubs-month-camra-brighton-the-bevy>
73. The Bevy, see endnote 71.
74. Homegrown Films, see endnote 70.
75. The Bevy, see endnote 71.
76. Homegrown Films, see endnote 70.
77. Ibid.
78. The Bevy, see endnote 71.
79. Homegrown Films, see endnote 70.
80. Ibid.
81. The Bevy, see endnote 71.
82. The Pub Spy (13/10/17), 'The Pub Spy reviews: The Bevy Inn, Hillside, Brighton', The Argus, see: [https://www.theargus.co.uk/news/15593157.Pub\\_Spy\\_The\\_characters\\_in\\_this\\_venue\\_make\\_it\\_friendly\\_fun\\_and\\_welcoming/?ref=mr&lp=6#comments-anchor](https://www.theargus.co.uk/news/15593157.Pub_Spy_The_characters_in_this_venue_make_it_friendly_fun_and_welcoming/?ref=mr&lp=6#comments-anchor)
83. Carter, W. see endnote 72.
84. The Pub Spy, see endnote 82
85. The Bevy, see endnote 71.
86. Ibid.
87. Homegrown Films, see endnote 70.
88. The Bevy, see endnote 71.
89. Homegrown Films, see endnote 70.
90. The Bevy, see endnote 71.
91. Homegrown Films, see endnote 70.
92. Ibid.
93. You can read more about donations and rewards crowdfunding for socially-focussed projects in 'Crowdfunding Good Causes' Bone, J. and Baek, P. (2016), Nesta. See: <https://www.nesta.org.uk/report/crowdfunding-good-causes/>
94. This process and diagram is based on the crowdfunding process set out in Nesta's 'Crowdfunding Good Causes' (2016; see endnote 93).
95. Regardless of whether using a platform or not, certain types of investments are subject to legal rules that prevent them from being easily promoted to the public.
96. Estimates taken from Community Shares Units SEDL Dashboard, see endnote 37.
97. Zhang, B., Zeigler, T., Mammadova, L., Johanson, D., Gray, M., and Yerolemou, N. (2018), 'The 5th UK Alternative Finance Industry Report', Cambridge Centre for Alternative Finance, University of Cambridge. See: [https://www.jbs.cam.ac.uk/fileadmin/user\\_upload/research/centres/alternative-finance/downloads/2018-5th-uk-alternative-finance-industry-report.pdf](https://www.jbs.cam.ac.uk/fileadmin/user_upload/research/centres/alternative-finance/downloads/2018-5th-uk-alternative-finance-industry-report.pdf)
98. Ibid.
99. Figure reflects lending to businesses, not individuals. Zhang, B., Zeigler, T., Garvey, K., Ridler, S., Burton, J., and Yerolemou, N. (2017), 'Entrenching Innovation: The 4th UK Alternative Finance Industry Report', Cambridge Centre for Alternative Finance, University of Cambridge. See: [https://www.jbs.cam.ac.uk/fileadmin/user\\_upload/research/centres/alternative-finance/downloads/2017-12-ccaf-entrenching-innov.pdf](https://www.jbs.cam.ac.uk/fileadmin/user_upload/research/centres/alternative-finance/downloads/2017-12-ccaf-entrenching-innov.pdf)
100. ICSA The Governance Institute & The Investment Association (2017), 'The Stakeholder Voice in Board Decision-making: strengthening the business, promoting long-term success'. See: <https://www.icsa.org.uk/assets/files/free-guidance-notes/the-stakeholder-voice-in-Board-Decision-Making-09-2017.pdf>
101. Brown, J. (17/02/2017), 'Why Governance Matters In Sustainable Investing', Forbes. See: <https://www.forbes.com/sites/investor/2017/02/17/why-governance-matters-in-sustainable-investing/#7aa97a6e7c9a>
102. Charity Governance Code, 'Good Governance', see: <https://www.charitygovernancecode.org/en>
103. For example, Co-operatives UK (2017) 'Simply Legal', see: <https://www.uk.coop/sites/default/files/uploads/attachments/simply-legal-final-september-2017.pdf>; Co-operatives UK 'Select-a-Structure Tool', see: <https://www.uk.coop/developing-co-ops/select-structure-tool>; and Locality and Russell-Cooke Solicitors (2018), 'Choosing a legal structure', see: <https://locality.org.uk/wp-content/uploads/2018/03/Choosing-a-legal-structure-toolkit.pdf>
104. See Nesta's work on digital democracy, e.g. Simon, J., Bass, T., Boelman, V., Mulgan, G. (2017), 'Digital Democracy: The tools transforming political engagement', Nesta. See: [https://media.nesta.org.uk/documents/digital\\_democracy.pdf](https://media.nesta.org.uk/documents/digital_democracy.pdf)
105. For example as explored in: Study.com 'What Is Corporate Structure? - Definition, Types & Examples'. See: <https://study.com/academy/lesson/what-is-corporate-structure-definition-types-examples.html>
106. For example, exploration of different options for committee structures in social enterprises on p8, Schwab Foundation for Social Entrepreneurship and World Economic Forum (2012), 'The Governance of Social Enterprises: Managing Your Organization for Success'. See: [http://www3.weforum.org/docs/WEF\\_Governance\\_Social\\_Enterprises\\_2106\\_light.pdf](http://www3.weforum.org/docs/WEF_Governance_Social_Enterprises_2106_light.pdf)
107. Originally envisioned in 1945 by Kees Boeke, but developed in various ways since. See: Sociocracy for all, 'Sociocracy': <https://www.sociocracyforall.org/sociocracy/>; 'Sociocracy 3.0: Effective Collaboration At Any Scale': <https://sociocracy30.org/>; and 'Holacracy': <https://www.holacracy.org/>
108. 'What is Sociocracy and Why Does Democracy Need it?', see: <https://www.sociocracy.info/about-sociocracy/what-is-sociocracy/>

## Chapter 2

109. Nesta '10½ tips to help you reach your crowdfunding goal', see: <https://www.nesta.org.uk/feature/10%C2%BD-tips-to-help-you-reach-your-crowdfunding-goal/>
110. Collins, L. & Baeck, P. (30/10/13), 'Working the Crowd', Nesta see: <https://www.nesta.org.uk/report/working-the-crowd/>
111. Crowdfunder's data shows an average of 4.5 per cent conversion rate from site visitors to investors, ranging from 2.6 per cent for unsuccessful share offers, through to 6.1 per cent for successful ones (dataset=57 share issues).
112. Research from crowdfunder puts the average at £655, see Crowdfunder, 'Why turn to Crowdfunder?': <https://www.crowdfunder.co.uk/guides/community-shares/why-crowdfunder>, however, another study calculates the figure at £368, see Baeck, P., Collins, L. and Zhang, B. (2014), 'Understanding Alternative Finance: The UK Alternative Finance Industry Report 2014', Nesta and University of Cambridge: <https://media.nesta.org.uk/documents/understanding-alternative-finance-2014.pdf>. Here, we take the average of these two (£516.5).
113. Community Shares Unit, 'About Community Shares', see: <https://communityshares.org.uk/about-community-shares>
114. Community Shares Units SEDL Dashboard, see endnote 37.
115. Ibid.
116. Reach Fund, see: <https://www.reachfund.org.uk/>
117. The Hive, Co-operatives UK and The Co-operative Bank (2017), 'The Hive business support programme - Service Specification', see: <https://www.uk.coop/the-hive/sites/default/files/uploads/attachments/the-hive-support-provider-specification-mar2017.pdf>
118. 'Power to Change: Community Share Starter Fund', Crowdfunder, see: <https://www.crowdfunder.co.uk/funds/power-to-change-community-share-starter>
119. 'The Community Shares Booster Programme', Power to Change, see: <https://www.powertochange.org.uk/get-support/programmes/community-shares/>
120. 'Bright Ideas Fund', My Community, Locality, see: <https://mycommunity.org.uk/funding-options/bright-ideas-fund/>
121. Seed Enterprise Investment Scheme, see: <https://www.seis.co.uk/home>
122. HM Revenue & Customs, 'Use the Enterprise Investment Scheme (EIS) to raise money for your company' guidance, see: <https://www.gov.uk/guidance/venture-capital-schemes-apply-for-the-enterprise-investment-scheme>
123. Cabinet Office, HM Revenue & Customs and HM Treasury (update 2016), 'Social Investment Tax Relief', see: <https://www.gov.uk/government/publications/social-investment-tax-relief-factsheet/social-investment-tax-relief>
124. Community Shares Unit, Standard Mark for Enterprises': <http://communityshares.org.uk/standard-mark-enterprises>
125. Ibid.
126. Ibid.
127. Co-operatives UK (10/09/18), 'Communities Week: Milestone 100th accredited community share offer', see: <https://www.uk.coop/newsroom/communities-week-milestone-100th-accredited-community-share-offer-marks-over-ps100m>
128. See endnote 112 for calculation information.
129. Baeck, P., Collins, L. and Zhang, B. (2014), 'Understanding Alternative Finance: The UK Alternative Finance Industry Report 2014', Nesta and University of Cambridge: <https://media.nesta.org.uk/documents/understanding-alternative-finance-2014.pdf>
130. Community Shares Unit, 'The Community Shares Handbook', see: <https://communityshares.org.uk/resources/handbook>
131. 'Expand Projekts' Skatepark - Match Funded Project!', Crowdfunder campaign, see: <https://www.crowdfunder.co.uk/projekts-mcr>
132. Ibid.
133. Barlow, N. (14/11/18), 'Mancunian Way Skatepark Crowdfunding campaign exceeds initial target', About Manchester, see: <http://aboutmanchester.co.uk/manchester-skatepark-crowdfunding-campaign-exceeds-initial-target/>
134. Crowdfunder, see endnote 131.
135. Ibid.
136. Ibid.
137. Ibid.
138. Ibid.
139. Ibid.
140. Sitr eligible and interest of 4 per cent expected after three years, see endnote 131.
141. Crowdfunder, see endnote 131.
142. Ibid.
143. Ibid.
144. Ibid.
145. Gallagher, R. (19/03/18), 'Remote Scottish community to raise funds for renewable energy', Insider.co.uk, see: <https://www.insider.co.uk/news/remote-scottish-community-raise-funds-12213841>
146. Big Society Capital, 'Southville Community Development Association', see: <https://www.bigsocietycapital.com/what-we-do/investor/case-studies/southville-community-development-association>
147. 'Invest in connecting rural communities to the UK's fastest broadband, Broadband for the Rural North', Triodos campaign, see: <https://www.triodoscrowdfunding.co.uk/invest/broadband-for-the-rural-north>
148. Ethex, 'Ethex announces new charity bond from Golden Lane Housing', see: [https://www.ethex.org.uk/a\\_344](https://www.ethex.org.uk/a_344)
149. Ahmed, M (18/04/16) "Harlequins looks to raise £15m through mini-bond" The FT: <https://www.ft.com/content/3d8c4cfa-032c-11e6-af1d-c47326021344>
150. Reach Fund, see endnote 116.
151. Cabinet Office, see endnote 123.
152. This is reflected by the larger average campaign size for a bonds issue (£1.39 million) compared to a community shares issue (£309,342), for data source see endnote 97.
153. The Community Shares Unit, see endnote 121.
154. NCVO Know How, 'Charitable Bonds', see: <https://knowhow.ncvo.org.uk/funding/social-investment-1/investment-types/charitable-bonds>
155. The Community Shares Unit, see endnote 121.



156. Financial Conduct Authority (updated 29/05/2016), 'Model rules and sponsoring bodies', see: <https://www.fca.org.uk/firms/model-rules-sponsoring-bodies>
  157. Crowdfunder, see: <https://www.crowdfunder.co.uk/>
  158. Ethex, see: <https://www.ethex.org.uk/>
  159. Institute on Governance, 'Defining Governance', see: <https://iog.ca/what-is-governance/>
  160. Ibid.
  161. There is additionally a financial component - most groups register new societies using templated model rules sponsored by various sectoral bodies working with societies, with sponsors charging fees for allowing their rules to be used. The FCA's registration costs are on a sliding scale dependent on the number of amendments made to these templates.
  162. GlenWyvis Distillery, see: <https://glenwyvis.com/>
  163. Portland Works, see: <https://www.portlandworks.co.uk/>
  164. Equal Care-Co-op, see: <https://www.equalcare.coop/>
- ### Chapter 3
165. Future Cities Catapult, 'Civic Crowdfunding', see: <https://futurecities.catapult.org.uk/project/civic-accelerator/>
  166. See endnote 64 for data source.
  167. Note that this number does not only include socially-focussed projects. See endnote 97.
  168. Zhang, B. et al., see endnote 97.
  169. Ibid.
  170. In the case of community shares investors, 89 per cent of investors said that investing in their local community was important or very important in their decision to invest. Zhang, B. et al., see endnote 97.
  171. Inman, S. (05/07/17), 'Savers left in the red after a decade of low interest rates', The Guardian, see: <https://www.theguardian.com/business/2017/jul/05/low-interest-rates-winners-losers-savers-borrowing>
  172. In a survey conducted in a previous study (see endnote 97), it was found that more than 90 per cent of crowdfunded community share investors reported that doing social or environmental good and creating a stronger community were important or very important factors in their decision to invest. Similarly, for investors into debt-based securities, the opportunity to back green/renewable energy products and to make a positive social impact was seen as being important or very important by the vast majority of investors (86 per cent and 92 per cent, respectively). In the same study it was found that the prospect of achieving financial returns was important or very important to only 24 per cent of community shares investors but that 83 per cent of those that invested in renewable energy projects through crowdfunded debt-based securities.
  173. GlenWyvis Distillery, see endnote 162.
  174. EIS and SEIS eligible, short-term whisky-related rewards, medium term returns of up to 5 per cent or two per cent above the Base Rate possible. See: 'GlenWyvis Distillery', Crowdfunder campaign: <https://www.crowdfunder.co.uk/glenwyvis-distillery>
  175. 'GlenWyvis Distillery', Crowdfunder campaign, see: <https://www.crowdfunder.co.uk/glenwyvis-distillery>
  176. 'The GlenWyvis Open Share Offer', Crowdfunder campaign, see: <https://www.crowdfunder.co.uk/the-glenwyvis-open-share-offer>
  177. Crowdfunder, see endnote 175.
  178. North Coast 500, 'GlenWyvis Distillery', see: <https://www.northcoast500.com/listing/glenwyvis-distillery/>
  179. Crowdfunder, see endnote 175.
  180. GlenWyvis Distillery, see endnote 162.
  181. Crowdfunder, see endnote 175.
  182. Crowdfunder, see endnote 176.
  183. Gemmell, A. (05/08/18), 'Whisky distillery review: GlenWyvis Distillery, Dingwall', Herald Scotland, see: [https://www.heraldsotland.com/life\\_style/16398929.whisky-distillery-review-glenwyvis-distillery-dingwall/](https://www.heraldsotland.com/life_style/16398929.whisky-distillery-review-glenwyvis-distillery-dingwall/)
  184. Crowdfunder, see endnote 175.
  185. Target interest rate of four per cent per annum from 2022/2023, EIS eligible. Crowdfunder, see endnote 175.
  186. Crowdfunder, see endnote 175.
  187. Crowdfunder, see endnote 176.
  188. Gemmell, A., see endnote 183.
  189. GlenWyvis Distillery, see endnote 162.
  190. Gemmell, A., see endnote 183.
  191. For example, community football clubs found that such clubs felt that fans were more minded to spend money on a match day because they owned a tangible stake in the club. Supporters Direct (2011), 'Supporters Direct Briefing Paper No.4: Business Advantages of Supporter Community Ownership in Football', see: <https://supporters-direct.org/assets/media/articleFiles/file-6WtseCMVPbuu.pdf>
  192. Community Shares Unit (14/11/16), 'A guide to investing in community shares', see: <http://communityshares.org.uk/guide-investing-community-shares> This also ensures that investment is eligible for the various HMRC tax investment incentive reliefs which require investment be held in the business for at least three years.
  193. Jubilee Pool, see: <https://www.jubileepool.co.uk/>
  194. Supporters Direct, see endnote 191.
  195. Plunkett Foundation, see endnote 14.
  196. Plunkett Foundation, see endnote 19.
  197. Plunkett Foundation, see endnote 14.
  198. Community Shares Unit, see endnote 192.
  199. Baeck, P., Collins, L. and Zhang, B. (2014), 'Understanding Alternative Finance: The UK Alternative Finance Industry Report 2014', Nesta and University of Cambridge: <https://media.nesta.org.uk/documents/understanding-alternative-finance-2014.pdf>
  200. Power to Change research shows that most community businesses function through a mixture of paid staff and volunteers: 'the total estimated number of volunteers for the year 2017 was 119,500, while the total paid staff was estimated to be 35,500'. See: Power to Change (2018), 'Policy Briefing: Creating better places through community business': <https://www.powertochange.org.uk/wp-content/uploads/2018/11/PtC-Policy-Briefing-Final-1.pdf>



201. In return they are offered shares in the organisation
202. Williams, Z. (21/07/17), 'The real cost of regeneration', The Guardian, see: <https://www.theguardian.com/society/2017/jul/21/the-real-cost-of-regeneration-social-housing-private-developers-pfi>
203. Cambridge Dictionary, 'gentrification' definition, see: <https://dictionary.cambridge.org/dictionary/english/gentrification>
204. This is a problem because raising house prices mean that existing residents are pushed out and become unable to afford to live in their area as wealthier demographics move in.
205. Future Cities Catapult, see endnote 165.
206. There are a whole range of community rights mechanisms now in place to help communities make change in their area. See: 'Ministry of Housing, Communities and Local Government (update 17/08/17), You've got the power: a quick and simple guide to community rights' guidance: <https://www.gov.uk/government/publications/youve-got-the-power-a-quick-and-simple-guide-to-community-rights/youve-got-the-power-a-quick-and-simple-guide-to-community-rights>
207. Lorah, K. (04/04/16), 'Let's Talk About Civic Crowdfunding and Government Responsibility', Planetizen, see: <https://www.planetizen.com/node/85437/>
208. Motran, C. (2017), 'Citizenship, Community and Community Assets', Big Society Capital, see: <https://www.bigsocietycapital.com/sites/default/files/Communities.pdf>
209. Like the Bevy pub's 'Friday Friends' seniors lunch club, see: The Bevy (22/01/18), 'Can Pubs Cure Loneliness?': <https://www.thebevy.co.uk/2018/01/22/pubs-loneliness/>
210. Power to Change research shows that community initiatives contribute to a number of improvements: 'Community businesses generate significant benefits for their community and contribute to: improved health and wellbeing; reduced social isolation; increased employability; better access to basic services; greater community cohesion; greater community pride and empowerment; and improved local environment'. See: Power to Change (2018), 'Policy Briefing: Creating better places through community business': <https://www.powertochange.org.uk/wp-content/uploads/2018/11/PtC-Policy-Briefing-Final-1.pdf>
211. Nicholl, A. (2014), 'Neighbourhood approaches to loneliness: A briefing for local government', Joseph Rowntree Foundation & Housing Trust, see: [https://www.jrf.org.uk/sites/default/files/jrf/migrated/files/Loneliness\\_briefing\\_SUMMARY.pdf](https://www.jrf.org.uk/sites/default/files/jrf/migrated/files/Loneliness_briefing_SUMMARY.pdf)
212. Cullen, M., & Whiteford, H. (2001), 'The interrelations of social capital with health and mental health', Canberra: Commonwealth of Australia.
213. Buonanno, P., Montolio, D., & Vanin, P. (2009), 'Does social capital reduce crime?', The Journal of Law and Economics, 52(1), 145-170.
214. For example, with Jubilee Pool, discussion about changing the asset sparked community interest and resistance to plans, which led to the community acting take over the asset.
215. Power to Change Research Institute, 'Factors that contribute to community business success - for health and wellbeing, sports and leisure and community hub businesses' research summary, see: <https://www.powertochange.org.uk/wp-content/uploads/2018/03/Success-factors-research-summary-FINAL.pdf>
216. The assets can be owned by councils or private owners. See: My Community, Locality, 'Assets of Community Value & Right to Bid': <https://mycommunity.org.uk/take-action/land-and-building-assets/assets-of-community-value-right-to-bid/>
217. Whereas buildings that are of value are typically sold commercially to raise funds for councils. See Hancox, D. (05/03/19), 'Great British sell-off: how desperate councils sold £9.1bn of public assets', The Guardian <https://www.theguardian.com/cities/2019/mar/05/great-british-sell-off-how-desperate-councils-sold-91bn-of-public-assets>
218. Gardiner, M (10/01/19), 'Reflections on the first UK Community Land Summit', Shared Assets, see: <http://www.sharedassets.org.uk/events/reflections-on-the-first-uk-community-land-summit/>
219. The National Lottery Community Fund, 'Scottish land Fund', see: <https://www.tnlcommunityfund.org.uk/funding/programmes/scottish-land-fund>
220. Protecting Community Assets Enquiry, see: <http://www.protecting-community-assets.org.uk>
221. Baker, L., Hennessy, C. and Taylor, M (2013), 'Big Local: What's new and different?', Institute for Voluntary Action Research, see: <https://www.ivar.org.uk/research-report/big-local-whats-new-and-different/>
222. Such as Nudge Community Builders' pre-Clipper 'Union Corner - an exciting new community hub' Crowdfunder campaign, see: <https://www.crowdfunder.co.uk/unioncorner>, and Jubilee Pool's repair fund, see: <https://www.justgiving.com/crowdfunding/jubileepool>
223. Energy Garden, see: <http://energygarden.org.uk/>
224. Energy Garden, Community Bond Offer, see: <https://www.ethex.org.uk/medialibrary/2018/06/29/72841c95/EnergyGarden%20CommunityBond%20v1.1.pdf>
225. Energy Garden, see endnote 223.
226. Ethex, Energy Garden - Community Bond Offer, see: <https://www.ethex.org.uk/energygarden>
227. Energy Garden, see endnote 223.
228. Ibid.
229. Ibid.
230. Ibid.
231. Ibid.
232. Ibid.
233. Ibid.
234. Institute for Voluntary Action Research, see endnote 221.
235. As well as continued learning and development, as highlighted by the Institute for Voluntary Action Research (see endnote 212), 'Finally, past programmes emphasise the importance of maintaining a culture of learning over the long-term and ensuring that this is not squeezed out by day-to-day pressures.'

236. 'Big Local partnerships will also need to guard against burnout and nurture future leaders.' Institute for Voluntary Action Research, see endnote 221.
237. For example, the Bevy found a vulnerability point when they were first running, and the committee were tired after a long campaign but still needed to have oversight of the running of the business.
238. BBC (05/10/10), 'Hastings Pier largely destroyed in huge fire', see: <https://www.bbc.co.uk/news/uk-england-sussex-11473688>
239. Willsher, K. (16/01/18), 'Furious' locals lose bid to buy Hastings pier for community', The Guardian, see: <https://www.theguardian.com/uk-news/2018/jun/16/furious-locals-lose-bid-to-buy-hastings-pier-for-community>
240. Fordham-Moss, T. (10/08/16), 'Not the end of the Pier', Heritage Fund, see: <https://www.heritagefund.org.uk/blogs/not-end-pier>
241. Heritage Fund, 'Hastings Pier', see: <https://www.hlf.org.uk/our-projects/hastings-pier>
242. Fordham-Moss, T., see endnote 240.
243. Fordham-Moss, T., see endnote 240.
244. RIBA (31/10/17), 'Hastings Pier wins RIBA Stirling Prize 2017', see: <https://www.architecture.com/knowledge-and-resources/knowledge-landing-page/winner-of-the-2017-riba-stirling-prize>
245. Heritage Fund, see endnote 241.
246. Willsher, K. (14/06/18), 'Plan to sell Hastings pier to entrepreneur angers locals', The Guardian, see: <https://www.theguardian.com/uk-news/2018/jun/14/plan-to-sell-hastings-pier-to-entrepreneur-angers-locals>
247. Willsher, K. (16/06/18), 'Furious' locals lose bid to buy Hastings pier for community', The Guardian, see: <https://www.theguardian.com/uk-news/2018/jun/16/furious-locals-lose-bid-to-buy-hastings-pier-for-community>
248. 'Choosing between a co-operative society or community benefit society structure is important because, while it is possible to convert a co-operative into a community benefit society, it is not possible to convert a community benefit society into a co-operative, or for a charitable community benefit society to simply cease being a charity.' Community Shares Unit, see endnote 121.
249. Bone, J. and Baeck, P., see endnote 93.
250. According to the Co-operative SEDL Dashboard (see endnote 37) when considering community share offers between 2014 and 2019, while 48 per cent of offers happened within the 50 per cent more deprived areas in England, on a closer look, 23 per cent come from the 30 per cent most deprived and in this section, the 10 per cent most deprived areas had 12 per cent of all offers, whereas the 10-20 per cent most deprived only had 6 per cent of offers, and the 20-30 per cent has only five per cent.
251. Ethex (2017), 'Understanding the positive investor', see: <http://ethicalfinancehub.org/wp-content/uploads/2017/12/Ethex-Positive-Investment-Report-2017.pdf>
252. 'Dive in and heat up Jubilee Pool!', Crowdfunder campaign, see: <https://www.crowdfunder.co.uk/jubileepool>
253. The Bevy, see endnote 71.
254. The Clipper, see endnote 1.
255. Hornung, L., Egan, J. and Jochum, V. (2017), 'Getting Involved: How people make a difference', NCVO, see: [https://www.ncvo.org.uk/images/documents/policy\\_and\\_research/participation/NCVO\\_2017\\_Getting\\_Involved.pdf](https://www.ncvo.org.uk/images/documents/policy_and_research/participation/NCVO_2017_Getting_Involved.pdf)
256. Baeck, P., Collins, L. and Zhang, B., see endnote 129
257. 69 per cent of 16 to 24 year olds say they are satisfied with their local area, compared to 84 per cent of people aged 65+, The study does note, however, that there is also likely to be an overlap in that younger people are 'more likely to live in more deprived areas' Department for Digital, Culture, Media and Sport (2018), 'Community Life Survey: 2017-18', see: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/734726/Community\\_Life\\_Survey\\_2017-18\\_statistical\\_bulletin.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/734726/Community_Life_Survey_2017-18_statistical_bulletin.pdf)
258. Hornung, L., Egan, J. and Jochum, V., see endnote 255.
259. Greene, A., (09/09/15), 'Los Angeles Taps Community and Crowdfunding to Transform its Streets', Locavesting, see: <https://www.locavesting.com/spotlight/los-angeles-taps-community-and-crowdfunding-to-transform-its-streets/>
260. Ioby (2015), YES (Youth Envisioned Streets) for a Healthier South LA, see: <https://www.ioby.org/project/yes-youth-envisioned-streets-healthier-south-la>
261. 'Local authorities in England have suffered a 49.1 per cent cut in core funding from central government between 2010-11 and 2017-18 (National Audit Office) and many feel that core funding will never return to previous levels.' See: Civil Society Futures – The independent enquiry (2018), 'Civil Society in England: Its current state and future opportunity': [https://cdn.opendemocracy.net/civilsocietyfutures/wp-content/uploads/sites/6/2018/11/Civil-Society-Futures\\_\\_\\_Civil-Society-in-England\\_\\_\\_small-1.pdf](https://cdn.opendemocracy.net/civilsocietyfutures/wp-content/uploads/sites/6/2018/11/Civil-Society-Futures___Civil-Society-in-England___small-1.pdf)
262. For example, the sale of a shopping centre in Elephant & Castle to private developers was seen by the community as public money going towards private profit, with the loss of range of local enterprises. See: Maitland Hudson, G. (07/1118), 'Local authorities should be investing on their doorsteps', Public Finance: <https://www.publicfinance.co.uk/opinion/2018/11/local-authorities-should-be-investing-their-doorsteps>
263. Davies, G., Boutaud, C., Sheffield, H. and Youle, E. (04/03/19), 'Revealed: The thousands of public spaces lost to the council funding crisis', The Bureau of Investigative Journalism, see: <https://www.thebureauinvestigates.com/stories/2019-03-04/sold-from-under-you>
264. Civil Society Futures – The independent enquiry (2018), 'Civil Society in England: Its current state and future opportunity', see: [https://cdn.opendemocracy.net/civilsocietyfutures/wp-content/uploads/sites/6/2018/11/Civil-Society-Futures\\_\\_\\_Civil-Society-in-England\\_\\_\\_small-1.pdf](https://cdn.opendemocracy.net/civilsocietyfutures/wp-content/uploads/sites/6/2018/11/Civil-Society-Futures___Civil-Society-in-England___small-1.pdf)
265. Moskowitz, P. (03/06/16), 'Crowdfunding for the public good is evil', Wired Business, see: <https://www.wired.com/2016/03/crowdfunding-is-evil/>
266. Ibid.
267. Minton, A. (24/10/17), 'Civic crowdfunding is privatisation masquerading as democracy', The Guardian, see: <https://www.theguardian.com/cities/2017/oct/24/civic-crowdfunding-erode-democracy-local-authority>

268. Quirk, B., Thake, S. and Robinson, A. (2007), 'Making assets work: The Quirk Review of community management and ownership of public assets', see: <https://webarchive.nationalarchives.gov.uk/20120920045030/http://www.communities.gov.uk/documents/communities/pdf/321083.pdf>
269. For example, DERiC CIC. See: Ng, K. (updated 09/02/16), 'Developing and empowering resources in communities (DERiC)', Big Society Capital: <https://www.bigsocietycapital.com/what-we-do/investor/investments/developing-and-empowering-resources-communities-deric>
270. Nesta, Rethinking Parks, see: <https://www.nesta.org.uk/project/rethinking-parks/>
271. Bone, J. and Baeck, P., see endnote 93.
272. The capital, for example, is home to 47 per cent of all English charitable income, about a quarter of the UK's social enterprises and up to a third of all social investment activity. Harrison-Evans, P., Rogers, B. et al. (2018), 'More, Better, Together: A Strategic Review of Giving in London', Centre for London, see: [https://www.centreforlondon.org/wp-content/uploads/2018/09/Giving-in-London\\_Report.pdf](https://www.centreforlondon.org/wp-content/uploads/2018/09/Giving-in-London_Report.pdf)
273. If there are capacity issues in directly administering funding, this can be done through an intermediary.
274. Nesta, 'Your Local Budget: Unlocking the potential of participatory budgeting' (2013). Nesta, see: <https://www.nesta.org.uk/report/your-local-budget/>
275. Simon, J., Bass, T., Boelman, V., Mulgan, G. (2017), 'Digital Democracy: The Tools Transforming Political Engagement', see: <https://www.nesta.org.uk/report/digital-democracy-the-tools-transforming-political-engagement/>
276. Social Investment Business, 'Reach Fund', see: <https://www.sibgroup.org.uk/reach>
277. Power to change also offer development grants of up to £10,000 as part of their Booster Programme and grants of up to £2,500 for feasibility costs for community groups who are considering taking ownership of their local pub as part of the More than a Pub Programme, in partnership with the Plunkett Foundation. See: Power to Change, 'The Community Shares Booster Programme': <https://www.powertochange.org.uk/get-support/programmes/community-shares/> and Power to Change, 'More than a Pub': <https://www.powertochange.org.uk/get-support/programmes/community-pubs-support-programme/>
278. There are also from time to time large national grants which may apply to this type of project, such as the recently announced Place Based Social Action Programme and Growing Place-based Giving. See: Department for Digital, Culture, Media & Sport, Office for Civil Society and Davis, M, MP (14/02/19), 'Millions invested to help people get active in their communities', press release: <https://www.gov.uk/government/news/millions-invested-to-help-people-get-active-in-their-communities>
279. Bridging start-up and operational grant funding are opportunities such as the National Lottery Grants for Heritage, which cover up to two years of development and five years of delivery of a project, of up to £5 million in a heritage context, see: <https://www.heritagefund.org.uk/funding/national-lottery-grant-heritage/250k-5million>
280. Crowdfunder, 'Crowdfund Lambeth', see: <https://www.crowdfunder.co.uk/funds/lambeth>
281. Lambeth Council, 'Cooperative Local Investment Plans (CLIPs)', see: <https://www.lambeth.gov.uk/better-fairer-lambeth/project/cooperative-local-investment-plans-clips>
282. Pagura, S. Pollock, R. and Mussani, S. (2018), 'Investing in Localism: How Local Authorities Can Provide Good Finance For Community Business', Power to Change, see: [https://www.socialfinance.org.uk/sites/default/files/publications/power\\_to\\_change\\_localism-working-paper.pdf](https://www.socialfinance.org.uk/sites/default/files/publications/power_to_change_localism-working-paper.pdf)
283. Mitchell, S., Bone, J., Baeck, P. (2017), 'Matching the crowd - Combining crowdfunding and institutional funding to get great ideas off the ground', Nesta, see: <https://www.nesta.org.uk/report/matching-the-crowd-combining-crowdfunding-and-institutional-funding-to-get-great-ideas-off-the-ground/>
284. Spacehive, 'Crowdfund London', see: <https://www.spacehive.com/movement/mayoroflondon>
285. Sellick, V., Solder, A. and Roberts, I et al. (2018), 'Funding innovation: A practice guide', Nesta, see: <https://media.nesta.org.uk/documents/Funding-Innovation-Nov-18.pdf>
286. Reclaim Fund Ltd, see: <https://www.reclaimfund.co.uk/>
287. Big Society Capital, 'Our portfolio: Social & financial return', see: <https://www.bigsocietycapital.com/what-we-do/investor/investments>
288. Good Finance, see: <https://www.goodfinance.org.uk/>
289. Big Society Capital invest under the same terms as retail investors.
290. Big Society Capital, 'The Spotted Cow', see: <https://www.bigsocietycapital.com/what-we-do/investor/case-studies/spotted-cow>
291. As part of the fund Big Society Capital can also invest up to 15 per cent upfront into bond issues which look like they won't require them as a backstop investor but which Big Society Capital would like to have an investment in anyway.
292. Ethex, 'Greenwich Leisure', see: [https://www.ethex.org.uk/product-details\\_2097.html](https://www.ethex.org.uk/product-details_2097.html)
293. Latham, L. (28/11/18), 'The rise of the 'meanwhile space': how empty properties are finding second lives', The Guardian, see: <https://www.theguardian.com/cities/2018/nov/28/the-rise-of-the-meanwhile-space-how-empty-properties-are-finding-second-lives>
294. Crowdbuilding.nl, see: <http://www.spaceandmatter.nl/crowd-building>, and Crowdbuilding, 'Let's Build Together: <https://www.crowdbuilding.nl/>
295. Quirk, B., Thake, S. and Robinson, A., see endnote 268
296. For example, from the UK government, see: 'Take over a local pub, shop, or green space for the community': <https://www.gov.uk/government/get-involved/take-part/take-over-a-local-pub-shop-or-green-space-for-the-community>, and Locality, see: My Community, Locality, 'Land & Building Assets': <https://mycommunity.org.uk/take-action/land-and-building-assets/>
297. Hart, L. (2018), 'To have and to hold', Development Trusts Association, see: <https://locality.org.uk/wp-content/uploads/2018/03/To-have-and-to-hold-210910-for-web-FINAL.pdf>

298. The Scottish Government (09/05/17), 'Scotland's first urban right to buy', see: <https://news.gov.scot/news/scotlands-first-urban-right-to-buy>
299. The National Lottery Community Fund, see endnote 219
300. The Scottish Government 'Community empowerment - Empowering Communities Fund', see: <https://www.gov.scot/policies/community-empowerment/empowering-communities-fund/>
301. Community Land Scotland, see: <https://www.communitylandscotland.org.uk>
302. Supporters Direct, see endnote 191.
303. Hawkins, E. (29/10/18), 'Council to buy 'derelict' pub after community campaign', Morning Advertiser, see: <https://www.morningadvertiser.co.uk/Article/2018/10/29/Council-to-buy-derelict-pub-after-community-campaign>
304. KÉK – Hungarian Contemporary Architecture Centre (2015), 'Vacant City', on Cooperative City, see: <https://cooperativecity.org/product/vacant-city/>
305. Migration Museum Project, see: <https://www.migrationmuseum.org/>
306. Latham, L., see endnote 306.
307. OECD (2019), 'Embracing innovation in government', Global Trends 2019, see: <https://trends.oecd-opsi.org/> and [https://apolitical.co/solution\\_article/amsterdam-airbnb-state-assets-municipal-offices/](https://apolitical.co/solution_article/amsterdam-airbnb-state-assets-municipal-offices/)
308. McIntyre, M. Esq., 'Director's Message', NYC Office of Environmental Remediation, see: <https://www1.nyc.gov/site/oer/about/directors-message.page>
309. Ibid.
310. Kay, L. (20/02/19), 'Majority of public want charities to re-use empty shops', Third Sector, see: <https://www.thirdsector.co.uk/majority-public-want-charities-re-use-empty-shops/article/1526152>
311. For example, Lambeth Country Show allows groups to host stands. See Lambeth County Show: <https://lambethcountryshow.co.uk/>
312. Portland Works set up a small conference with experts in the field joining stakeholders, including tenants of the space.
313. Morgan, P. J. (24/05/18), 'Philadelphia: building a stronger city through public spaces', Knight Foundation, see: <https://www.knightfoundation.org/articles/philadelphia-building-a-stronger-city-through-public-spaces>
314. Also suggested by Power to Change, see endnote 200.
315. Open Government Partnership, 'Open Government Declaration', see: <https://www.opengovpartnership.org/open-government-declaration>
316. URBACT, 'Roadmap to Digital Urban Governance', on Cooperative City, see: <https://cooperativecity.org/product/roadmap-to-digital-urban-governance/>
317. Ioby, see: <https://www.ioby.org/>
318. Lorah, K., see endnote 207.
319. Simon, J., Bass, T., Boelman, V., Mulgan, G., see endnote 104.
320. Bristol One City, 'The One City Plan', see: <https://www.bristolonecity.com/>
321. Bristol One City, 'One City Plan', see: <https://www.bristolonecity.com/wp-content/pdf/BD11190-One-City-Plan-web-version.pdf>
322. Preston City Council, 'What is the Preston Model', see: <https://www.preston.gov.uk/thecouncil/the-preston-model/preston-model/>
323. Also known as Community Wealth Building.
324. Breckon, J., Hopkins, A. and Rickey, B. (2019), 'Evidence vs Democracy', Nesta, see: <https://www.alliance4usefulevidence.org/assets/2019/01/Evidence-vs-Democracy-publication.pdf>
325. As Leeds City Council has done with 'Everyone makes innovation policy' funding from Nesta.
326. For example, iSandwell by Sandwell Council, see: [iSandwell.org.uk](https://www.isandwell.org.uk)
327. There is also potential to link up with, for example, Local Enterprise Partnerships (LEPs), or enact this by way of a place-based approach. See: Institute for Voluntary Action Research, 'Place-based funding': <https://www.ivar.org.uk/our-research/place-based-funding/>
328. National Housing Federation, 'Local needs and shared objectives', see: <https://www.housing.org.uk/topics/investing-in-communities/community-investment-hub/deciding-your-direction/local-needs-and-shared-objectives/>
329. CAG Cosultants, 'Business plan and development support for Plymouth Energy Community', see: [https://cagconsultants.co.uk/case\\_studies/business-plan-and-development-support-for-plymouth-energy-community](https://cagconsultants.co.uk/case_studies/business-plan-and-development-support-for-plymouth-energy-community)
330. Plymouth Energy Community, 'The story so far', see: <https://www.plymouthenergycommunity.com/about/story>
331. Ibid.
332. Power to Change sets out some potential topics for the future in this report: Grayson, D. (2018), 'Community Business in 2030: Literature Review', Power to Change, see: <https://www.powertochange.org.uk/wp-content/uploads/2018/11/The-Future-of-Community-Business-Final.pdf>
333. Plymouth social Enterprise Network (06/11/18), 'The Story of PSEN', see: <https://plymsocent.org.uk/2153-2/>
334. Chakraborty, A. (11/04/18), 'Post-industrial Plymouth was broke. So it took business into its own hands', The Guardian, see: <https://www.theguardian.com/commentisfree/2018/apr/11/post-industrial-plymouth-business-social-enterprise>
335. Ibid.
336. Fotonow CIC (2016), 'Plymouth: Social Enterprise City', on Vimeo: <https://vimeo.com/156714244>
337. Chakraborty, A, see endnote 334.
338. Co-operative Councils Innovation Network (08/07/14), 'Becoming a brilliant co-operative council – Plymouth City Council', see: <https://www.councils.coop/case-studies/plymouth-becoming-a-brilliant-co-operative-council/>
339. Plymouth City Council, 'Pledge 10 - Set out an action plan to double the co-operatives and mutuals sector', see: <https://www.plymouth.gov.uk/pledge10>
340. Penberthy, C. (16/11/18), 'Plymouth leading the way with cooperative economy', see: <http://plymouthnewsroom.co.uk/plymouth-leading-way-cooperative-economy/>



341. Plymouth Social Enterprise Network, Social Enterprise City', see: <https://plymsocent.org.uk/social-enterprise-city/>
342. Social Enterprise UK, 'Plymouth', see: <https://www.socialenterprise.org.uk/plymouth>
343. 'Once an eligible project has raised 25 per cent of their fundraising target from multiple pledges, Plymouth City Council may pledge to fund a further 50 per cent of the target up to a maximum of £20,000'. See: 'Crowdfund Plymouth', on Crowdfunder: <https://www.crowdfunder.co.uk/crowdfund-plymouth>
344. Crowdfunder, '£180,000 for Plymouth projects', see: <https://www.crowdfunder.co.uk/funds/plymouth-city-change>
345. Invest Plymouth, 'Social Enterprise', see: <https://www.visitplymouth.co.uk/invest/why-plymouth/key-sectors/social-enterprise>
346. Ibid.
347. Plymouth City Council, 'Social enterprise investment fund capital and revenue grants/loans', see: <https://www.plymouth.gov.uk/investmentandgrowth/strategicgrowth/>
348. PSEN, see endnote 333.
349. Plymouth Social Enterprise Network, 'Plymouth Social Enterprise City Festival 2018', see: <https://plymsocent.org.uk/events/1982-2/>
350. Chakraborty, A, see endnote 334.
351. Social Enterprise UK, see endnote 342.
352. Department for Digital, Culture, Media & Sport and Wright, J. Rt Hon MP (18/01/19), 'Five areas to share £20 million to unleash creativity across the nation', see: <https://www.gov.uk/government/news/five-areas-to-share-20-million-to-unleash-creativity-across-the-nation>
353. Moore, E. (18/01/19), 'Plymouth handed £3.5m for Mayflower 400 culture scheme', Plymouth Herald, see: <https://www.plymouthherald.co.uk/news/plymouth-news/plymouth-handed-35m-mayflower-400-2442944>
354. Ryan, G. (28/01/19), '£1.7m to boost careers advice for disadvantaged', tes, see: <https://www.tes.com/news/ps17m-boost-careers-advice-disadvantaged>
355. NCVO suggests that part of local community engagement should focus on this type of education around enterprise, risks and sustainability of the business model. See: NCVO Know How, 'Community investment': <https://knowhow.ncvo.org.uk/funding/social-investment-1/investment-types/community-investment>
356. Such as the 'Inspiring Rural Communities Together 2018' event by Plunkett Foundation, Eventbrite: <https://www.eventbrite.co.uk/e/inspiring-rural-communities-together-2018-tickets-50486003997#>
357. For example, 'Crowdfunding for your community pub – Webinar' by Phil Geraghty - Community Business Crowdfunding Expert, Eventbrite: <https://www.eventbrite.co.uk/e/crowdfunding-for-your-community-pub-webinar-tickets-57874822151>
358. Toolkits are another form of less formal training which can support community projects by offering structure and guidance – for example the Transport For London toolkit in tactical urbanism – which provides tips and tools for communities to create temporary community projects in their streets and public spaces. See: Architecture 00 and Studio Weave (2017), 'Small Change, Big Impact: a practical guide to changing London's public spaces', TFL and Mayor of London: <http://content.tfl.gov.uk/small-change-big-impact.pdf>
359. Plymouth Social Enterprise Network, see: <https://plymsocent.org.uk/>
360. Power to Change, 'Learning from your peers', see: <https://www.powertochange.org.uk/get-support/resources/peer-networking/>
361. Unlocking Networks, see: <https://www.unlockingnetworks.org/>
362. Bone, J. and Baeck, P., see endnote 93.
363. For example the use of case studies by the Community Shares Unit <https://communityshares.org.uk/case-studies> stories on Power to Change's website <https://www.powertochange.org.uk/get-inspired/stories/> and Locality's website <https://locality.org.uk/about/inspiring-stories/> the GLA's information on projects they have backed <https://www.london.gov.uk/what-we-do/regeneration/funding-opportunities/crowdfund-london/campaigns-weve-backed-0>
364. <https://www.pubisthehub.org.uk/community-ownership/>
365. The National Lottery Community Fund, 'Power to Change Trust', see: <https://www.tnlcommunityfund.org.uk/funding/grants/recipients/GB-CHC-1159982>
366. Power to Change, see: <https://www.powertochange.org.uk/>
367. Ibid.
368. Ibid.
369. Ibid.
370. Ibid.
371. Ibid.
372. Ibid.
373. 'Equal Care - putting power back where it belongs', Crowdfunder campaign, see: <https://www.crowdfunder.co.uk/equal-care-co-op#start>
374. Delivery will be by Locality and Co-operatives UK, the Plunkett Foundation and Groundwork UK. See: Power to Change (05/02/19), '£3.2m Bright Ideas Fund launches to help community business start-ups in England': <https://www.powertochange.org.uk/news/3-2m-bright-ideas-fund-launches-help-community-business-start-ups-england/>
375. Community Shares Booster Programme, 'How it works', see: <https://communitysharesbooster.org.uk/how-it-works>
376. Power to Change, 'Community Business Fund', see: <https://www.powertochange.org.uk/get-support/programmes/community-business-fund/>
377. Community Shares Booster Programme, see endnote 375.
378. Power to Change, see endnote 376.
379. Community Shares Booster Programme, see endnote 375.
380. Power to Change, see endnote 376.
381. Power to Change, 'Research Institute', see: <https://www.powertochange.org.uk/research/>



## Glossary

382. See: Oxford English Dictionaries, 'Asset' definition: <https://en.oxforddictionaries.com/definition/asset>
383. See: Community Shares Unit, '2.4 Asset lock provisions': <https://communityshares.org.uk/resources/handbook/asset-lock-provisions>
384. See: Investopedia, 'Capital Investment': <https://www.investopedia.com/terms/c/capital-investment.asp>
385. See: World Urban Campaign, 'Civic Crowdfunding: a collective option for urban sustainable development': <http://www.worldurbancampaign.org/civic-crowdfunding-collective-option-urban-sustainable-development>
386. See: Wikipedia, 'Community Interest Company': [https://en.wikipedia.org/wiki/Community\\_interest\\_company](https://en.wikipedia.org/wiki/Community_interest_company), and Department for Business, Energy & Industrial Strategy, 'Chapter 1: Introduction' (2016), Office of the Regulator of Community Interest Companies: Information and guidance notes: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/626088/cic-12-1333-community-interest-companies-guidance-chapter-1-introduction.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/626088/cic-12-1333-community-interest-companies-guidance-chapter-1-introduction.pdf)
387. See: Companies House: <https://www.gov.uk/government/organisations/companies-house>
388. See: Investopedia, 'Debenture': <https://www.investopedia.com/terms/d/debenture.asp>
389. See: Dictionary.com, 'Default' definition: <https://www.dictionary.com/browse/default>
390. See: Gov.uk, 'Feed-in tariffs: get money for generating your own electricity': <https://www.gov.uk/feed-in-tariffs>
391. See: Financial Conduct Authority, 'About the FCA': <https://www.fca.org.uk/about/the-fca>
392. See: Community Shares Unit, '7.3.3 Financial promotions': <https://communityshares.org.uk/resources/handbook/financial-promotions>
393. See: Investopedia, 'High Net Worth Individual – HNWI': <https://www.investopedia.com/terms/h/hnwi.asp>
394. See: Simple English Wikipedia, 'Legal entity': [https://simple.wikipedia.org/wiki/Legal\\_entity](https://simple.wikipedia.org/wiki/Legal_entity), and Oxford English Dictionaries, 'Legal entity' definition: [https://en.oxforddictionaries.com/definition/legal\\_entity](https://en.oxforddictionaries.com/definition/legal_entity)
395. See: Investopedia, 'Understanding financial liquidity': <https://www.investopedia.com/articles/basics/07/liquidity.asp>
396. See: Business Wales, 'Loan stock and bonds': <https://businesswales.gov.wales/socialbusinesswales/loan-stock-and-bonds>
397. See: Project for Public Spaces, 'What is placemaking?': <https://www.pps.org/article/what-is-placemaking>
398. See: Investing Answers, 'Prospectus': <https://investinganswers.com/financial-dictionary/mutual-fundsetfs/prospectus-929>
399. See: Attract Capital, 'The Grey Zone: What's Quasi-Debt Anyway?' (25/10/16): <http://www.attractcapital.com/the-grey-zone-whats-quasi-debt-anyway.html>
400. See: NCVO Know How, 'Quasi-equity/Revenue participation': <https://knowhow.ncvo.org.uk/funding/social-investment-1/investment-types/quasi-equity-revenue-participation>
401. See: Mayor of London, The Draft London Plan (2017), 'Chapter 5: Social Infrastructure' p202: [https://www.london.gov.uk/sites/default/files/draft\\_london\\_plan\\_chapter\\_5.pdf](https://www.london.gov.uk/sites/default/files/draft_london_plan_chapter_5.pdf)
402. See: Cambridge Dictionary, 'Surplus' definition: <https://dictionary.cambridge.org/dictionary/english/surplus>



58 Victoria Embankment  
London EC4Y 0DS

+44 (0)20 7438 2500

[information@nesta.org.uk](mailto:information@nesta.org.uk)

 [@nesta\\_uk](https://twitter.com/nesta_uk)

 [www.facebook.com/nesta.uk](https://www.facebook.com/nesta.uk)

[www.nesta.org.uk](http://www.nesta.org.uk)

Nesta is a registered charity in England and Wales with company number 7706036 and charity number 1144091.  
Registered as a charity in Scotland number SCO42833. Registered office: 58 Victoria Embankment, London, EC4Y 0DS.

