Communities doing it for themselves

Celebrating a decade of the Community Shares Unit

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Community Shares

Delivered in partnership:

Co-operatives UK

locality the power of community

Plunkett Foundation

Funded by:

power to change

Community Shares Scotland Investing in what matters

Contents

Contributors

This report has been written by Isla McCulloch, Community Shares Standards Manager and John Dawson, Head of Market Development and Investment at Co-operatives UK.

We are grateful for the ongoing contribution and support from our sector partners and stakeholders in the development of the market and this report in particular.

- Locality
- Plunkett Foundation
- Power to Change
- Community Shares Scotland
- The Community Shares Company
- Co-operative and Community Finance
- The Architectural Heritage Fund
- Cwmpas

Front page photo: Nudge Community Builders - Plymouth

Introduction

It has been a decade since the Community Shares Unit launched in 2012 with over £210 million raised using this unique form of finance. This report aims to provide a detailed and inspiring update on the community shares market while celebrating key milestones, innovations and learnings over the last ten years.

Our Understanding a Maturing Community Shares Market Report 2020 revealed a wealth of crucial information on investor demographics, motivations and candid stories of the difference their investments had made.[1] This information has been invaluable in designing and planning future community share offer campaigns as well as training practitioners on the nuances of raising finance in this way.

This new report gets under the skin of the market in more detail, looking at sector trends and geographic spread of offers across the UK. We also look at the role of institutional investment, specifically the Community Shares Booster Fund and the fund's impact and aspirations to reach under-represented groups, communities and inspire innovation and creative thinking in applying the model. Community shares continues to be increasingly relevant in the broader ecosystem, aligning the wider political aspirations around community empowerment and ownership of critical assets and services.

This report also builds on the key findings from the report on the future of social investment published in 2022, led by Lord Victor Adebowale, Chair of the Adebowale Commission on Social Investment. Specifically, the reference to community shares in the "frontier investments in enterprise-centric finance for social enterprises", the emphasis on local support for social enterprise and co-operatives, and diversity and democracy in investment institutions.[2]

We are grateful to the support of all our partners and stakeholders who have believed in and supported the work of the Community Shares Unit and are optimistic for the future.

As we launch this report, we are delighted to have secured a £2.2 million investment from Access: The Foundation for Social Investment in partnership with Co-operative and Community Finance. This builds on Power to Change's continued investment and support of the fund. This further commitment by funders to the development of the community shares market will expand the reach and remit of our institutional investor role through the Community Shares Booster Fund.

Building on previous publications, this report uses the wealth of community shares data we capture on a regular basis from the wider market and investment data from the Booster Fund portfolio with our own analysis.

"£210 million raised by communities through community shares shows us the power of collective action. This is collective action by communities who are frustrated with waiting for change or concerned about losing much-valued services. Community shares are enabling communities in innovative and life changing ways while ensuring that ownership and control of these community businesses stays with the people they matter to the most."

ROSE MARLEY, CEO,
CO-OPERATIVES UK

Key findings

Our key findings are based on the wealth of community shares data we capture on a regular basis from the wider market, our investment data from the Booster Fund portfolio, our own analysis and existing evidence and research produced by partners and stakeholders across the sector.

1
Community Shares are in **every sector**

Community shares are being used to finance an increasingly diverse number of business sectors and models, with citizens and communities taking direct action to tackle local problems in the real economy. Sector specific interventions, funding and policies have a significant impact on the growth of the community shares market.

2
They have a **wide geographic spread**

We're seeing a 'snowball' effect with successful share offers in parts of the UK where communities are taking levelling up into their own hands. Communities running share offers are inspiring others to do the same and enabling more peer to peer support and local access to expertise is converting aspiration to action.

3
They have a **real life impact**

Institutional investment in community shares has a real-life impact in communities, targeting areas of higher deprivation and as well as sector innovation. Funders and institutional investors can continue to leverage their privilege of securing access to capital for those who need it most; and, through investing in community shares, rebalance the traditional funding power dynamic by embedding community ownership and control.

4
They continue to **leverage further investment**

Community shares continues to leverage in significant investment while retaining democratic ownership. Community shares continues to play a critical role in the wider sector. They provide a unique source of additional finance for communities, often helping attract more traditional grants and loans.

1997

Baywind Energy Co-operative becomes first UK co-operative to own wind turbines raising £2 million through community shares.

2007

Community Share and Bond Issues : The sharpest tool in the box is commissioned by the Development Trusts Association (now Locality).

2008

Community Investment: Using Industrial and Provident Society Legislation is commissioned by Co-operatives UK and written by Jim Brown, who later becomes Strategic Advisor to the Community Shares Unit.

2009

The Community Shares Programme is launched by Co-operatives UK and Locality, funded by the Department for Communities and Local Government, (DCLG) as an action research programme. It supported over 70 societies between 2009 and 2011 to run community share offers.

2012

The Community Shares Unit (CSU) is established with 5 years of funding from DCLG and the Department for Energy and Climate Change (DECC). The CSU continues as a partnership between Co-operatives UK, Locality and the Plunkett Foundation.

- The Community Shares Standard Mark is created
- The Community Shares Handbook is published
- The Community Shares Practitioner training and licensing programme is launched

2013

Community Shares Ready!

Community Shares Ready! is launched by the CSU and Co-operative Alternatives in Northern Ireland.

The Co-operative and Community Benefit Societies Act receives Royal Assent and consolidates the Industrial and Provident Societies Act 1965. Notably increased the individual investment limit from £20,000 to £100,000.

2014

Community Shares Scotland is launched by the CSU and Development Trusts Association Scotland. They have since supported Scottish societies to raise over £18 million in community shares.

£18 million +

2015

Community Shares Inside the Market report is published revealing that over £60 million had been raised through community shares to date.

2016

Community Shares Wales is launched by the Wales Co-operative Centre (now Cwmpas).

Cwmpas

Community Shares | Booster Fund

The Community Shares Booster Fund is launched offering development grants and match equity investment in England. This is funded by Power to Change and the Architectural Heritage Fund.

2020

Understanding a Maturing Community Shares Market report is launched celebrating over £155million raised in community shares to date.

2022

Further funding for the Booster Fund is secured through Power to Change and Access in partnership with Co-operative and Community Finance.

2023

This report launches to reveal that over £210 million has been raised through community shares to date.

£210 million +

raised in community shares to date

The Community Shares Unit is a partnership between Co-operatives UK, Locality and the Plunkett Foundation, with funding from Power to Change. Collectively, we promote best practice standards, are a funder and institutional investor in community share offers, train and license practitioners and are the primary source of community shares market intelligence.

When the Community Shares Unit was established in 2012, a technical committee was appointed to develop a voluntary regulation scheme for community shares. As community share offers to the public are not formally regulated or covered by the Financial Services and Markets Acts, they remain an affordable and accessible way for societies to raise finance from the public. The voluntary regulation scheme which is encapsulated in the Community Shares Standard Mark, which ensures **credibility, openness, transparency, honesty and simplicity** in the share offer document and associated business plan. These standards are now overseen by the Co-operative and Community Capital Committee (CCCC), a member group of Co-operatives UK.[3] The core intention is to support societies raising finance through community shares to be resilient businesses that generate community benefit and social impact for the long term, underpinned by community accountability and participation.

Community share offers are awarded the Community Shares Standard Mark after undergoing a rigorous assessment by a Fully Licensed Community Shares Practitioner.

The Standard Mark was launched in 2014 and in 2015 was awarded to 18% of all community share offers launched that year. In 2021, it was awarded to 79% of total offers.

The community shares practitioner network is formed of over 200 professional community and co-operative business advisors, working independently or within intermediaries, and is crucial to the wider ecosystem.

Evidence shows that societies who have run community share offers continue to be resilient businesses. They benefit from strong member engagement, with investor members retaining a vested interest in the long-term success of the business. **We have found that 92% of businesses that have run community share offers are still trading.** This figure hasn't changed since 2020 despite many challenges currently facing businesses and communities. We know that difficult times continue to lie ahead, so we cannot take this strong survival rate for granted. The CCCC and CSU are increasingly prioritising providing ongoing support to the breadth of societies that have issued community shares through direct support and published guidance and tools.

Growing the community

Sutton Community Farm in south London sells its locally grown produce via a successful veg box scheme. It also provides space for people to cultivate skills, get exercise and make new friends. Alice Brown, Farm Business Manager, puts its success down to the community who get involved as members, volunteers or customers – or all three!

In 2017, they launched a community share offer to raise funds for a new barn. With a £10,000 grant from the Community Shares Booster Fund, they developed their offer and achieved the Community Shares Standard Mark – the official guarantee of a high-quality share offer.

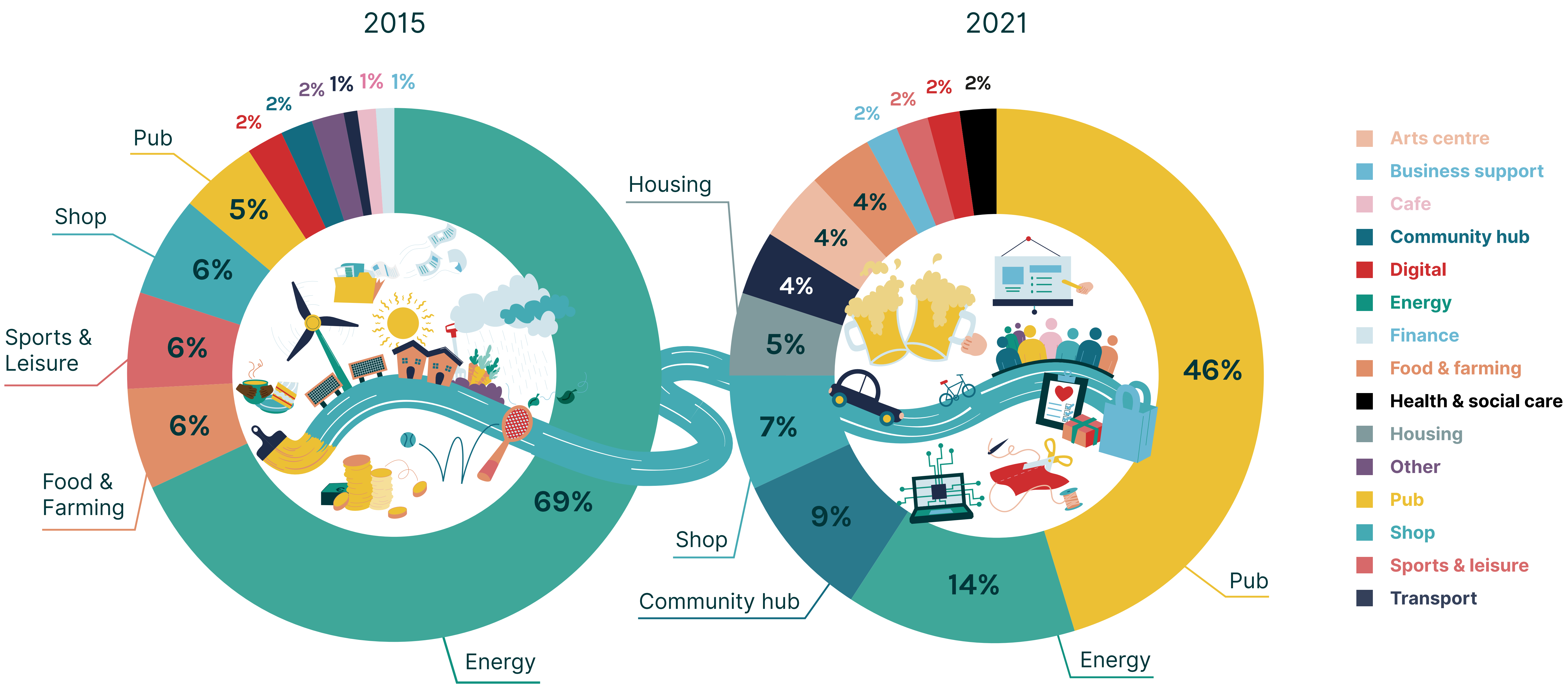
With £50,000 matched equity from the Booster Fund, the offer raised £100,000 and increased membership from 141 to 408, giving the farm vital backing for a sustainable, successful future.

"Undertaking the Standard Mark assessment lent credibility to our share offer and gave confidence to investors – this was invaluable."

ALICE BROWN,
FARM BUSINESS MANAGER

Sector trends in community share offers

Shown below is a snapshot of community share offers by sector, with the percentage based on the number of share offers launched in each sector that year, showing the shift in the market over time.



Community shares are being used to finance an increasingly diverse number of business sectors and models, with citizens and communities taking direct action to tackle local problems in the real economy. Sector specific interventions, funding and policies have a significant impact on the growth of the community shares market.

Our analysis of sector trends in the community shares market show how impactful specific interventions and policies can be such as tax relief, subsidies and support programmes.

Some significant shifts due to policy interventions have been in the realm of community energy share offers. **In 2015, a total of 75 community energy offers represented 68.8% of the overall number of share offers, but in 2021, eight community energy offers represented only 14.3% of share offers.**

Enabling policy interventions, like the availability of the energy generation 'Feed in Tariffs' and access to tax reliefs, had an evidently positive impact on the community energy market which has slowed dramatically since 2016. As the 2021 State of the Sector report details, growth rate in the community energy sector has slowed from 81% (2017) to 2.4% (2020).[4] However, the community energy sector "remain engaged and committed to exploring new opportunities despite the barriers. Energy efficiency and low carbon transport activities have increased in number and in scope" and we are seeing more share offers in sectors of retrofit, car sharing, community transport at a national and regional scale. The latest injection of funding through Access will enable the Booster Fund to invest more in these innovative models that are less local in scope and scale.

In 2015, there were five community pubs running share offers at 4.5% of total offers. In 2021, this had grown five fold to 26 community pub offers, equating to 46% of total community share offers in that year. The More than a Pub (MTAP) programme in England, led by the Plunkett Foundation and funded by Power to Change and DCLG has had an incredible impact on the community pub sector. Enabling policies such as the Localism Act and the ability to nominate pubs as Assets of Community Value have been recognised by the sector as instrumental as well as dedicated awareness raising campaigns with the Campaign for Real Ale (CAMRA) and others.[5]

Chris Cowcher, Head of Policy & Communication at the Plunkett Foundation said "What is clear from the evaluation report is that the community pubs supported by the MTAP programme – truly do offer and provide 'more than a pub' – lunch clubs for the elderly or isolated, food parcels during the pandemic, hot meals for schools, meeting places for charities, clubs and celebrations and helping their villages and local economy to thrive. Each project has looked to identify local needs and sought to use their premises as a hub to address these needs."[6]

Much more than a pub

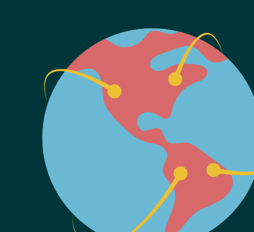
Menter Ty'n Llan Cyfyngedig is a community benefit society formed by the people of Llandwrog village in Wales to secure the future of the local pub after the death of the owner.

They wanted to take ownership of the Ty'n Llan pub and offer facilities for the benefit of the local people. So, in April 2021, they launched a community share offer. The offer raised £464,800 from 1,013 investors. While many were from the local area, they also had investors from Germany, Canada, Sweden, Cyprus, France and New Zealand!

The community immediately rallied to prepare the pub garden for a celebration and the bar was re-opened in December 2021, when work started on a programme of community events including coffee mornings, a walking club and youth project.

Of Ty'n Llan's 1,013 investors,

257 live in the village



Half the investors live within a 5-mile radius – and investments came from

28 different countries

Other trends we have seen include the increase in community share offers for housing projects. **In 2015, there were zero community share offers for housing projects, while in 2021, housing offers comprised 5% of all share offers.** Community-led housing projects tend to take a long time in the planning and are very capital intensive. Patient, flexible equity investment through community shares has been instrumental in securing and reducing the cost of loan finance to deliver these projects. To date, we have seen 24 housing projects raise around £8 million in community shares, comprising 3.4% of all share offers. The **Homes in Community Hands** grants programme and the Government's Community Housing Fund have been important interventions to support community-led housing with several housing offers emerging from this programme of support and funding.

Another sector of interest is the trend for more community hubs using community shares. **In 2015, they represented only 2% of offers while in 2021, community hubs represented 9% of all offers.** These multi-purpose community hubs also are more likely to be charitable community benefit societies, with lower financial returns for investors and broader community involvement in the ongoing running of the society from their wide user base. They tend to be less profitable, making loan finance less viable; here community shares provides affordable additional capital often alongside capital grant funding.

However, categorising community shares by any single sector limits our understanding of the broad impact of the models adopted by these societies.

Research led by The Social Investment Consultancy on the Community Shares Booster Fund in 2021 found that these societies **"adopted impact models that leverage on all available assets of the organisations to benefit a wide range of people within the community. This is different from charities that focus on particular outcomes."**[7] Even categorisations like 'community hub' barely scratch the surface in understanding the variety of activities and impacts some of these societies have in their communities.

Beyond this, organic growth in awareness of the community shares model has seen an increasing diversity of businesses using community shares to tackle specific needs in their communities such as specific needs in their communities, providing anything from sign language services for NHS patients, reliable broadband services for rural communities to affordable housing for students.

The **Architectural Heritage Fund (AHF)** invested £600,000 into the Booster Fund in February 2020 which is now fully allocated. Their specific criteria around town centre historic buildings and transforming high streets has applied to a wide diversity of business models, impacting far beyond the 'heritage' label.

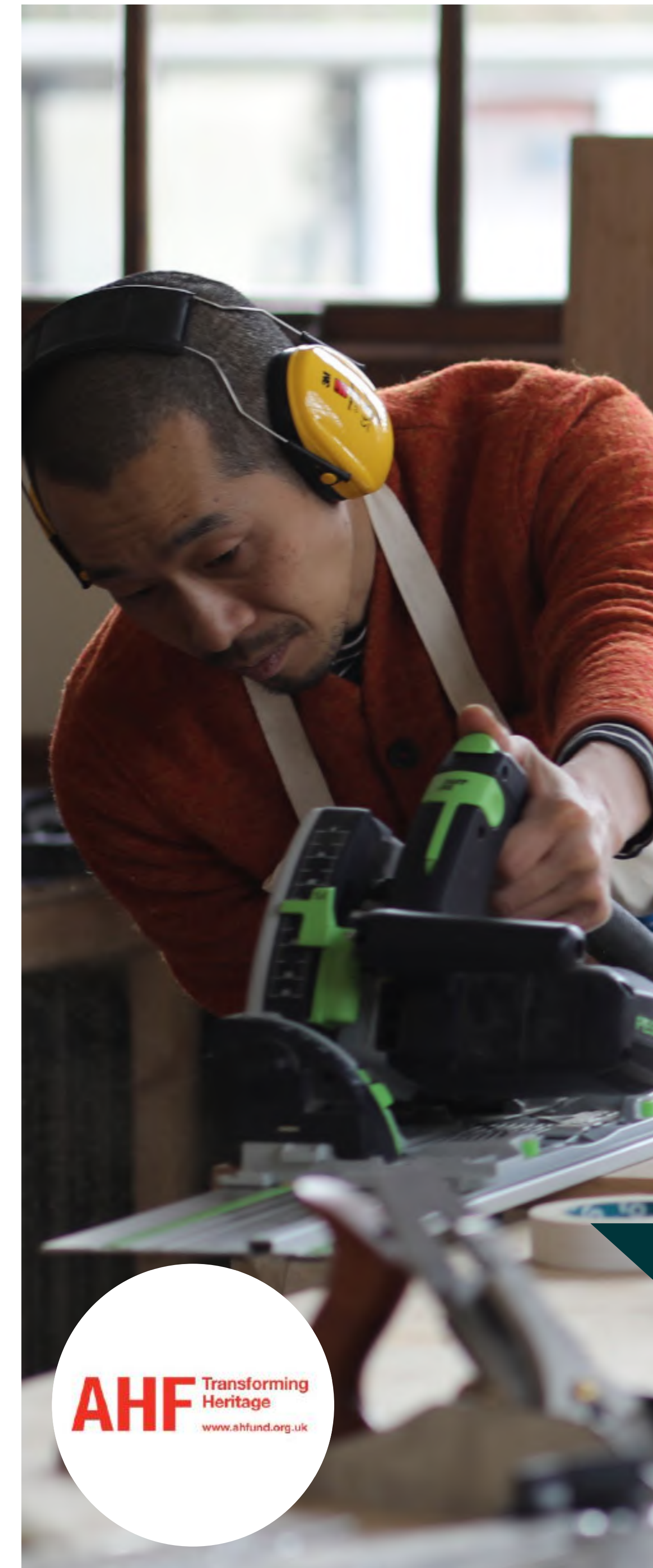
The partnership approach to institutional investment in community shares has been transformational for heritage projects in England eligible for this funding.

This approach allows us to blend the unique sector expertise of the funder, supporting projects through the development phase with more wrap around support, all the way to launching a successful share offer and raising the capital required for a project to take off.

The Exchange, in Erith is an example of a community asset which the Architectural Heritage Fund and Power to Change has supported in multiple ways, through traditional grant funding and co-investment from the Community Shares Booster Fund. Other investees included Jubilee Pool in Penzance, Marsden Grocery and Holmfirth Tech both in West Yorkshire.

£508,460
invested in
12 societies

£91,540
awarded in
development grants



From derelict library to thriving community hub

The Exchange in Erith, south-east London, is a vibrant community hub that was once a disused library. Its transformation from dilapidated shell into vital local space was supported by the Community Shares Booster Fund.

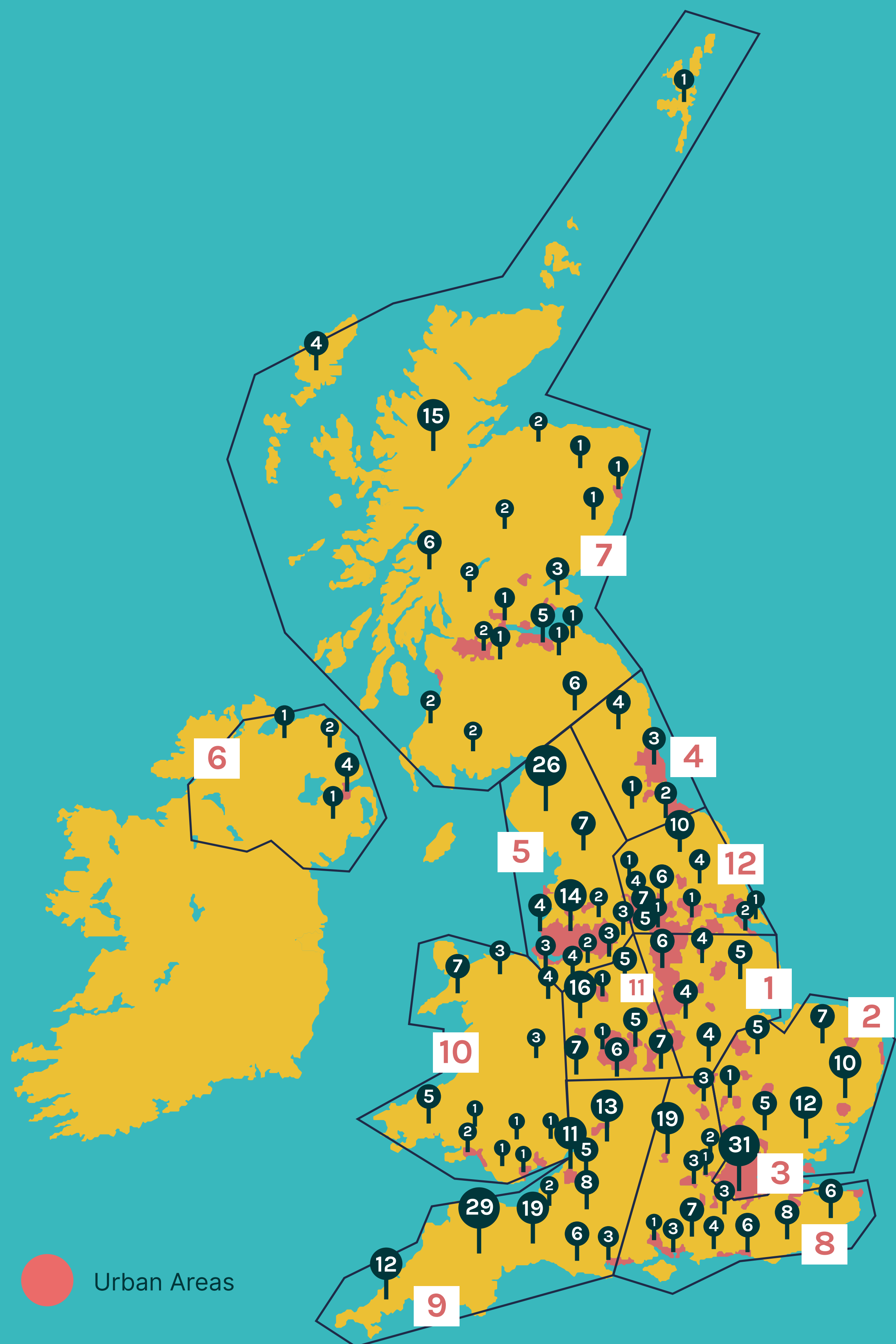
In 2021, The Exchange launched a community share offer to help complete building works. It raised £150,000, which included match funding from the Booster Fund.

Now a community-owned venue, The Exchange hosts a café and provides craft workshop spaces for print, textiles, ceramics and woodwork. There's also a garden, where locals can develop new skills. It's an invaluable meeting point for local people to get together. "Before it opened there was no secular place where people could come and meet," says founding Co-director Sarah Batten.

"We surveyed our visitors and asked: 'How many new connections have you made?' Most said more than 10. People were able to come together and develop relationships."

SARAH BATTEN,
CO-DIRECTOR

Geographic spread of community share offers



Rural Areas   Urban Areas

Region or nation	Number of offers*	Total equity raised
1: East Midlands	31	£4,440,527
2: East of England	48	£5,611,492
3: London	44	£10,825,495
4: North East	12	£16,458,962
5: North West	92	£36,693,245
6: Northern Ireland	14	£2,515,475
7: Scotland	70	£22,866,095
8: South East	90	£31,371,052
9: South West	149	£39,673,648
10: Wales	45	£17,016,255
11: West Midlands	64	£14,392,016
12: Yorkshire & the Humber	51	£8,394,001
Total:	710	£210,258,263

*The map shows the locations of all 540 societies who have run community share offers grouped by their local authority. The table has the number of share offers. Around 25% of societies have run more than one share offer.

We're seeing a 'snowball' effect with successful share offers in parts of the UK where communities are taking levelling up into their own hands. Communities running share offers are inspiring others to do the same and enabling more peer to peer support and local access to expertise is converting aspiration to action.

The rural-urban divide?

While there is no UK wide consistent classification for rural and urban areas, we have attempted in the map visualisation to illustrate the metropolitan/urban areas in red. In general, community share offers are more dominant in rural communities. **Community Shares Scotland have found that 82% of community share offers they have supported in the last two years have been in rural areas.[8]**

The strong rural representation is partly attributable to the high representation of community energy offers which require certain geographies for energy generation using wind turbines or hydroelectric schemes for example. However, in 2021, the more urban-friendly solar PV arrays now dominate in terms of new installations of community renewables[9], with plenty examples of successful urban community share offers to finance these. These include in recent years Bradford Community Energy, Glasgow Community Energy, and Grimsby Community Energy.

The Plunkett Foundation released a report in May 2022 on urban pubs, noting that only 15% of all community pubs in the UK are in urban areas. This report asked groups to self-identify whether they were in rural or urban areas. The key barriers to overcome for urban community pub groups were identified as "high property prices" and "private competition (often for a change of use)". Our data shows that the average total deal value for a community pub (including shares, grants and loans) is **£207,820** and the average sum raised in community shares is **£145,608** which is significantly less than your average London pub purchase price.[10]

Rural communities generally are more likely to be tackling incidents of market failure in provision of services and investment where the community shares and the co-operative model provide an effective alternative[11]. More deprived urban communities face similar challenges, and our Booster Fund has prioritised inner city projects such as Hulme Community Garden Centre.

Market failure is often a precursor to a sense of crisis, with a risk of losing a crucial asset such as the pub or post office often the impetus for a community shares backed project. A successful community share offer generally benefits from this sense of jeopardy, inspiring a collective sense of duty and motivation from the community to safeguard the asset by any means possible.

An enterprising community venture keeping tourism alive

The village of Drumnadrochit has long been one of Scotland's busiest tourist spots for visitors to Loch Ness and nearby walking trails.

When the tourist information centre closed, the Glen Urquhart Rural Community Association (GURCA), a local development trust, took ownership of the site. However, they had to be enterprising and make it sustainable. So they also acquired a baggage transfer service, which transports hikers' luggage between trail stops.

With the help of Community Shares Scotland, GURCA became the first organisation to register a community benefit society using hybrid model rules from the Development Trusts Association Scotland.

Their share offer, launched in September 2020, reached its £110,000 target. The Loch Ness Hub is now a thriving visitor information centre providing community transport as well as baggage and shuttle transfers.

"Loch Ness Hub are incredibly grateful for the support they received from the Glen Urquhart community, who were incredibly generous in their support of our share offer."

RUSSELL FRASER, MANAGER, LOCH NESS HUB

From the inner-city neighbourhood of Moss Side in Manchester to a small rural community on the banks of Loch Ness, anecdotally, feedback from communities who have utilised community shares weave a common thread. **Generally, they reflect on the feelings of not waiting for 'someone else' or government to come and solve their problems, and the strength of 'cracking on' and 'taking matters into their own hands'.** This grassroots confidence is the driving force behind successful community shares projects.

However, we also know from feedback that the specific legislation surrounding societies and community shares can be perceived as complex and frustrating to navigate, often by lay members of the community who are focused on their specific challenge and locality. This is where providing the right level of support, from advisers who understand the nuances of the community shares model, and the specific context of the organisation, is crucial.

This has been facilitated to date through Community Shares Practitioners. Placed across the UK, they bring a diversity of skill, backgrounds and local knowledge and partners to any community share offer they work with. They are part of and supported by locally rooted programmes such as Community Shares Scotland, the Community Shares Wales Resilience Project and Community Shares Ready in Northern Ireland.

Our community shares map shows clusters of community share offers across the country. Societies which can see what others are doing, visit, share learning and experiences are much more likely to be able to succeed themselves. We have seen that 'snowball' effect across the country especially in areas such as the South West and North West of England.

While a lot of this happens organically, facilitating this peer to peer learning will continue to be increasingly instrumental in growing the community shares market. An example of a specific network that has been established is the Plunkett Foundation's well-received Scottish Community Pubs Partnership. This project has facilitated study visits and a webinar series bringing groups of all stages together and building the network. This partnership is delivered in partnership with Community Shares Scotland and funded by the Scottish Government.

The Booster Fund is also evolving our business development support offer to include peer to peer learning from successful societies in the portfolio, ensuring they are also compensated for their time to work with other groups who are earlier in their journey.

Principle six of co-operatives is 'co-operation amongst co-operatives'. Put simply: the benefits of sharing experiences cannot be underestimated.

From car park to urban paradise

Just three miles from Manchester city centre, Hulme Community Garden Centre (HCGC) was created by converting an area of urban scrubland – and later a car park – into a public green space to encourage healthy living through gardening and sustainable food growing.

HCGC issued a community share offer in 2019 to make the organisation more financially stable and better able to deliver its social impact. The offer successfully raised £204,850 from 221 investors in 42 days.

The investment from the share offer is reaping rewards, with an impressive new entrance that is visible from the main road. HCGC now has the facilities to grow plants from seeds, reducing their costs. And a new indoor events space has enabled a greater diversity of activities and less seasonal fluctuations in turnover.

"When people join us, they experience a sense of community and belonging. The centre offers a place to relax, learn new skills, build confidence and enjoy urban green space."

GIANETTA GRAINGER, CENTRE MANAGER, HCGC

Institutional investment targets deprivation and innovation

Institutional investment in community shares has a real-life impact in communities, targeting areas of higher deprivation and sector innovation. Funders and institutional investors can continue to leverage their privilege of securing access to capital for those who need it most, while now also using the community shares model to rebalance the traditional funding power dynamic and embed community ownership and control.

Headline figures from the Booster Fund:

£3.4 million invested

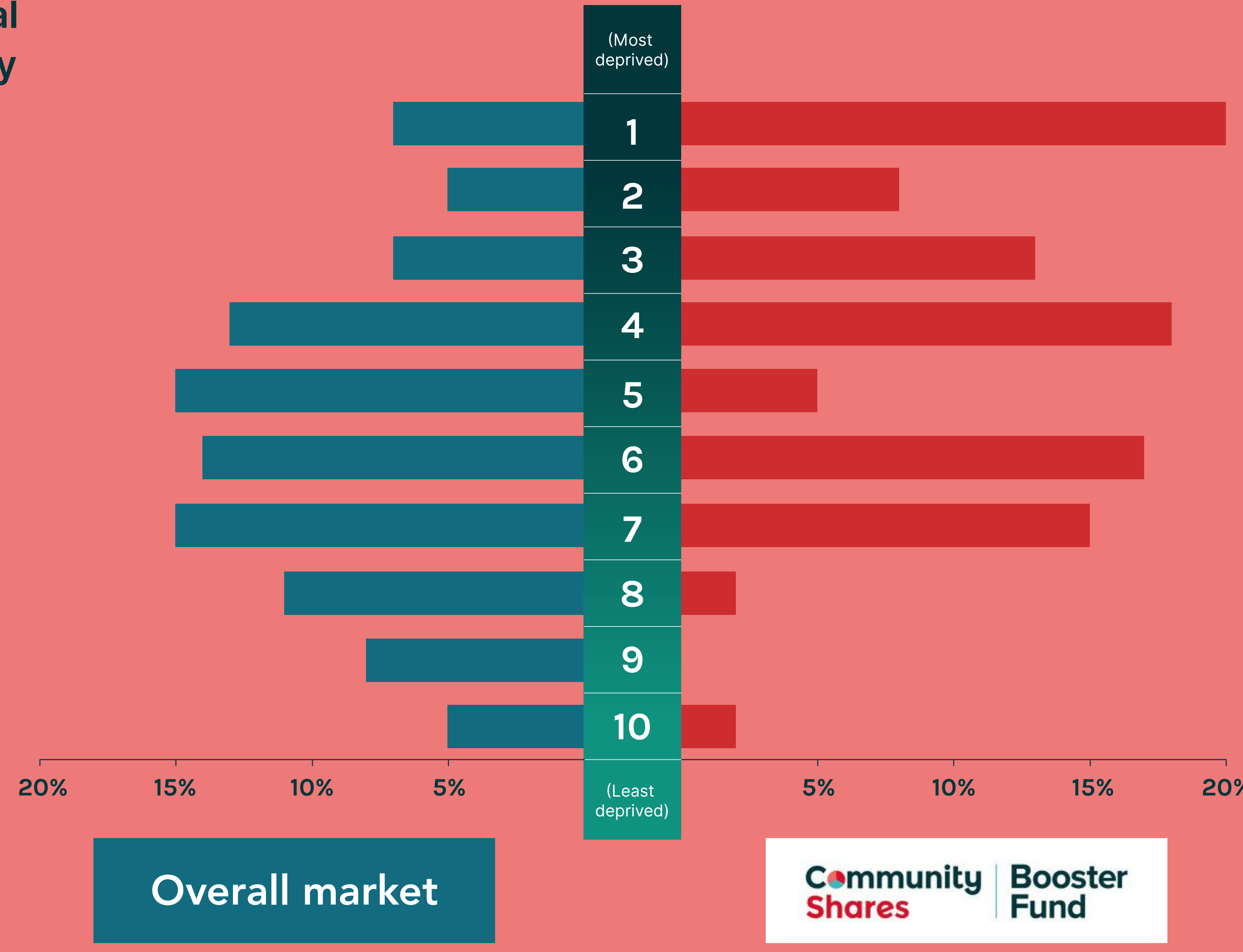
63 investments made

leveraging **£11.7 million** from the wider community

41% investments in IMD 1–3

16,078 community investors

Percentage of offers across IMD levels compared between the overall market and the Community Shares Booster Fund



The Index of Multiple Deprivation (IMD) is one measure for understanding the relative deprivation of an area at full postcode level. The Booster Fund uses this, alongside other information, to allocate investment where a 'boost' would be most likely to support an offer to reach their targets and have the greatest impact.

The Co-operatives UK's Community Shares Booster Fund has made **63 investments worth £3.4 million** since 2016.

These investments have leveraged in **a further £11.7 million from 16,078 individual investors, with every £1 invested through Booster bringing in £3.44 from the wider community.**

Requests for equity match have been significantly more at £23.5 million in the same timeframe. As the Booster Fund is the main source of institutional equity investment available in the market, this type of finance is in short supply. The Booster Fund also currently only operates in England.

A total of **£512,236 has been disbursed in development grants** and early-stage support to help organisations develop their business plans, ensure compliance with the Standard Mark and build successful community share offer campaigns.

A key priority for the fund to date, **41% of investments made through the Booster Fund have been in the most deprived areas of the country, IMD 1-3.**

The Booster Fund has also prioritised under-represented sectors with **investments in housing, health and social care and community hubs constituting 47% of the portfolio**, even though these sectors only account for 12% of the overall market.

59% of the Booster Fund investees are also based in urban areas.

Anecdotally, we have found a crossover in areas of higher deprivation correlating with innovation. Communities facing multiple challenges are thinking creatively and outside the box to find solutions.

Supporting these innovative ideas which are not able to access other sources of capital such as loan finance, or where average investment amounts are lower is what the Booster Fund was set up to do.

47%

of Booster investments into housing, health and social care and community hubs

41%

of Booster investments made in

IMD 1-3

United to create quality homes

East Marsh in Grimsby is one of the most deprived wards in England. In 2017, a group of residents created East Marsh United (EMU) – an organisation dedicated to regenerating the area through multiple community initiatives.

One of those initiatives is East Marsh Community (EMC), which was set up to convert derelict properties into decent, affordable homes for local people. In 2020 EMC launched a community share offer.

"It will enable us to buy 10 houses, get them refurbished and provide quality homes for 10 more families," said Director and local resident Billy Dasein at the launch.

The share offer smashed their minimum target of £250,000, raising £500,118 from 162 investors while running a parallel local membership offer for residents in the East Marsh to ensure broad community accountability.

"Our community share offer was a real rollercoaster, and it really kept our spirits up knowing we were guaranteed 10% of our minimum raise. Thanks Co-operatives UK!"

BILLY DASEIN, EAST MARSH COMMUNITY

In 2021, we hosted a secondment from The Social Investment Consultancy to look at the Booster portfolio in more detail and identify further areas for outreach and inclusion.

Detailed research was undertaken on the makeup of the Booster portfolio society directors based on publicly available information in the share offer documents and business plans, and annual returns to the FCA.

It was found that the majority of directors live locally to the project. **48% of directors were female, 52% male.**

26% of society directors were in retirement, this figure going up to 70% for some projects. On average, 92% had completed higher education, compared to just 44% of the general population over 30.

Only **6% of directors were under the age of 35**, which aligned with our finding in 2020 that only 4% of community shares investors were under 35. 36% were over 65 and 73% over 50. The **average age of a director was 58**.

Since this research was conducted, it is now a Booster Fund priority to support and invest in societies led by and for young people which also is a key pillar of Co-operatives UK's wider strategy.

In August 2022, Co-operatives UK published the 'Offering Hope To Future Generations', which outlines the opportunities that co-operatives offer to answer the critical issues faced by young people.

An analysis was done on an investee's share register where they had raised £512,000 from 1,400 individuals and organisations (including the Booster Fund). Of those 1,400 investors, 997 were local residents. Local county residents were able to invest at a minimum of £20, 53% of total investors did so. **Notably, 80% of investors invested £100 or less which only amounted to about 7% of the total share capital raised.**

Because of the 'one member, one vote' approach of community shares, local and those potentially less affluent investors are able to retain an 80% majority vote in the society, whereas in a traditional 'one share, one vote' structure, they would only have held a 7% share. **This is a stark representation of the democratic nature of community shares, which doesn't discriminate based on access to capital and fundamentally changes the power dynamic as an institution investing alongside the community on equal terms.**

Bradford Community Energy had a scheme which allowed investors from the BD5 postcode to invest the minimum shareholding of £100 in four monthly instalments of £25. 20% of investors did so.

The Booster Fund acts as an investment and research vehicle. By becoming a member of the society through the investment, this enables a relationship where the ongoing learning is facilitated.Institutional investment enables ongoing learning in a deeper way than simply overseeing the market.

A ground-breaking community shares venture

With pay-it-forward shares, a colourful campaign and younger investors, the UK's first community share offer for a LGBTQ venue was a pioneering success.

It followed the closure of LGBTQ venue the Joiners Arms in east London. A group of regulars formed the Friends of the Joiners Arms (FOTJA) and in 2022 launched the share offer to raise capital for another venue. They soon exceeded their target and secured £152,000.

As part of the offer, they issued 'pay it forward' shares, meaning people could buy shares that could be given to someone else. And the members who invested in this offer also have the lowest average age of any in the country.

FOTJA are now working with the Greater London Authority and other organisations to find a suitable space – and have big plans to make it a multi-purpose community resource.

> **"We were aware that a lot of people can't afford to invest money in a venture like ours, so our shares cost £25 each – much lower than typical share offers."**
>
> AMY ROBERTS, CHAIRPERSON, FRIENDS OF THE JOINERS ARMS

Diversity, equity and inclusion

By signing up to the Diversity Forum's manifesto for social Investors, Co-operatives UK joins a growing group of investors committed to achieve sustainable systemic change for more inclusive access to opportunities, support and investment.

We know it is a huge privilege and responsibility to manage capital investment and spread opportunity equitably. Signing this manifesto is a public declaration of the intentions held for the Booster Fund already. A brief summary of our intentions embedded in the manifesto:

We will:

- Use our privilege of being an investor carefully
- Promote the Diversity Forum manifesto, record and share efforts to make improvements
- Publish guidance on Shariah compliant community share offers
- Identify specific areas of diversity where improvements can be made, such as ethnicity, age and gender, and remain open and curious to all forms of diversity
- Continue to diversify the pool of community shares practitioners we train and allocate work to
- Continually showcase innovation in the community shares space
- Keep reviewing practices and share learning with other social investors through the Diversity Forum

Shariah compliant community shares

In 2020, we funded some specific advisory work for Bradford Community Energy on whether they could certify their live community share offer as Shariah compliant to appeal more broadly and be accountable to the Muslim communities in Bradford.

This advisory work was delivered by Mufti Faraz Adam at Amanah Advisors who provided a comprehensive Shariah compliance review of their governance and business model. Amanah Advisors is an independent, globally recognised Shariah advisory firm based in Leicester.

It was found that the community share offer as it stood was not quite Shariah compliant, but the process itself was enlightening for both Co-operatives UK and Amanah Advisors.

This opened conversations on how community shares had real potential to become a Shariah compliant method for community-based, co-operative, and other social sector organisations to raise flexible, ethical finance. Most mainstream social investment options are variations of debt finance which for the most part is not Shariah compliant, therefore excluding Muslim communities. It was theorised that community shares represents an alternate form of social investment that could be made available to organisations working in Muslim communities in the UK.

Over 2021-22, Co-operatives UK and Amanah Advisors have worked in partnership to explore this concept further. As part of the project funded by The Connect Fund, detailed analysis of the community shares model and Co-operatives UK Model Rules have been undertaken and revised models developed and approved by the FCA to enable **Shariah Compliant Community Share** offers to work in principle.

Place-based community shares development

Based on our market data showing a disproportionately low number of community share offers (6.2%) and investors (4%) in the Greater London area, a pilot partnership approach with the Greater London Authority was developed with support from Power to Change and delivered through existing Co-operatives UK support programmes.

A one year programme, **Boosting Community Business London, was launched in February 2021**. The aim was to help local groups in Greater London to become more entrepreneurial, and to encourage and enable them to consider community shares as a way to raise equity or secure local assets with community ownership 'baked in'. This early-stage support would help build a pipeline of applications for the Booster Fund. While uptake of the programme was relatively small with only 21 applications and 10 awardees, an independent evaluation of the programme found the pilot performed well in terms of geographic and sectoral reach as well as reach into minoritised communities.

Of these successful grantees, Sister Midnight Records and Friends of the Joiners Arms have both successfully run community share offers and the Seven Sisters Development Trust have gained additional support from the Booster Fund in 2022 to continue the development of their offer.

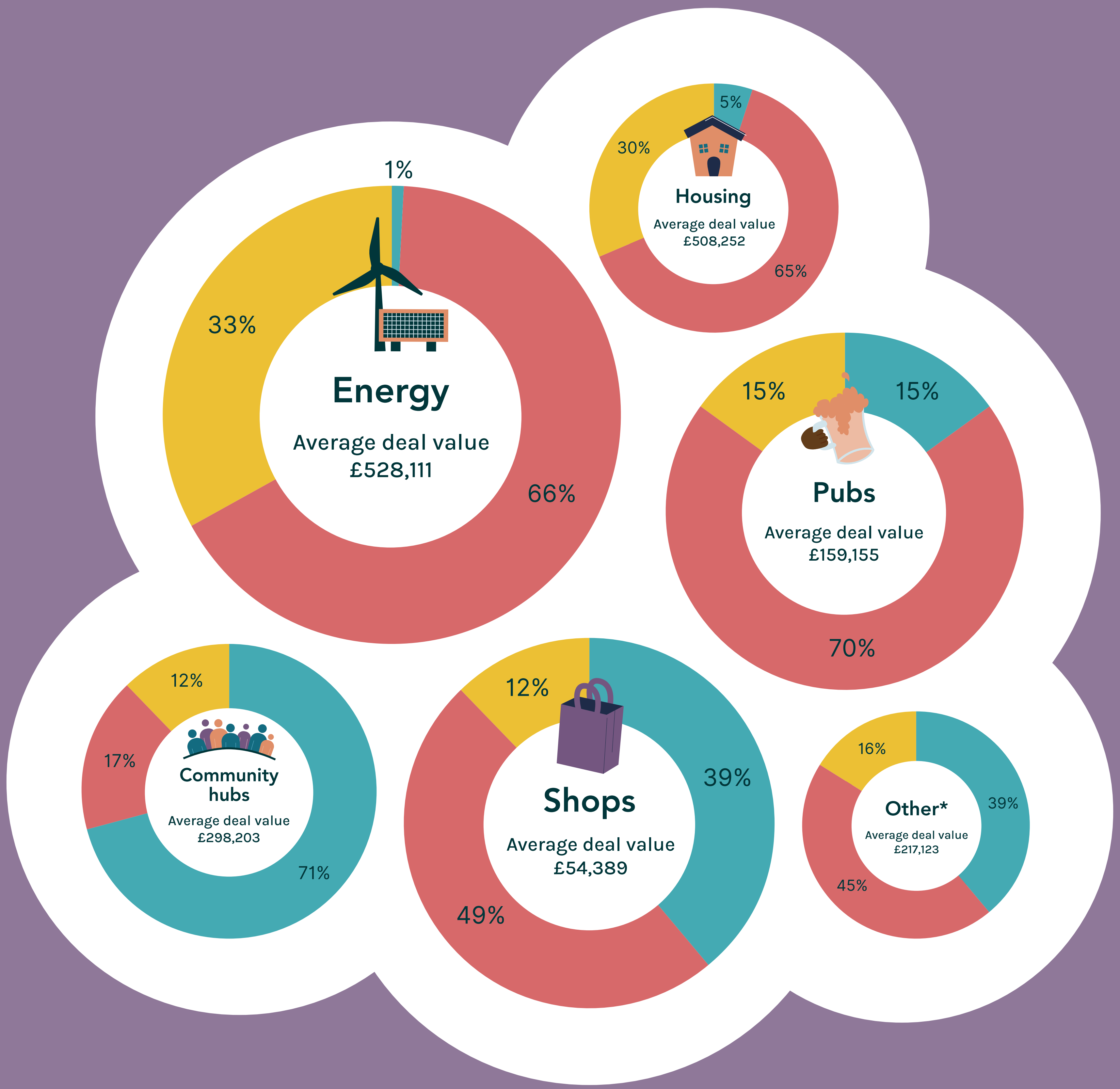
"Community shares were a vital tool for Sister Midnight, helping us to raise investment directly from our community whilst giving local people a tangible sense of ownership and involvement. Creating cultural community spaces in a tough economic climate is incredibly challenging (particularly in our area in South London, where corporate development interest means space is at a premium), but we've been able to be flexible with the capital we've raised, and adapt as the situation has changed around us so that we can still deliver the vision that our community has invested in."

LENNY WATSON,
SISTER MIDNIGHT RECORDS

Community shares continues to leverage further investment

Community shares most often forms part of a jigsaw of finance to enable a project to proceed. Different sectors sustain different balances of grant funding, loan finance and community shares. Our breakdown of key sectors shows that breakdown and the average total deal value (including all forms of finance) and an average of each.

*Others in this context represents those offers which defy the usual sector classification, **not** 'all other sectors'. They represent groups which are likely doing something new and innovative within the model.



Average grant

Average loan

Average equity

Community shares continues to leverage in significant co-investment while retaining democratic ownership. Community shares continues to play a critical role in the wider sector. They provide a unique source of additional finance for communities, often helping attract more traditional grants and loans.

Social investment and loan finance

While social investment in the form of lending continues to be a key part of the finance jigsaw for a lot of projects, it is evident from our data that this is more available to the asset backed sectors of housing and energy, comprising on average a third of the total deal value. Community hubs, community shops and those on the less well trodden paths in the 'others' categories, are often considered riskier propositions, with lending forming no more than 16% of the total deal value on average.

The Adebowale Commission's Report 'Reclaiming the Future: Reforming Social Investment for the next Decade' puts community shares into the 'frontier priorities' of social investment. This recognises the "enterprise-centric" nature of the finance, with patient terms and flexible rates of return set by the organisation at the point of raising finance and the power to only pay interest and facilitate withdrawals when the society can afford to.[12] "According to the Bank of England, the effective interest rate for SMEs before the pandemic was around 4%. Social enterprises reported that the interest rates offered on social investment were between 7% and 10%."

Our latest dataset indicates that the **average interest rate offered on community share offers is now at 3.4%**, this is lower than the average rate in 2020 which was at 4.8%. This can *partly* be explained by the decreasing proportion of community energy offers on the market which generally had higher than average returns and offers launching over the years since the pandemic being more conservative in their financial projections.

The affordability of community shares for organisations is a key motivator for societies using shares. However, rising interest rates may have an impact on future offers of investment and the ability of societies to retain existing share capital. Societies cannot simply increase the rate of interest paid on share capital in line with base rate or equivalent without it hugely impacting their business model. The history of community shares to date as illustrated earlier has all been in a period of low interest rates in the UK, so we are entering relatively unchartered territory.

Grant funding

In 2021, the UK government launched the **£150 million Community Ownership Fund** (COF) to help communities take ownership of assets at risk of closure, over the next four years. This was a key sector wide ask of government and we were delighted to see it come to fruition and support critical community assets and businesses, moving the dial on community ownership across the UK. The fund provides up to £250,000 of match-funding with community shares explicitly mentioned in the prospectus as a recommended source of match-funding.

Since launching, COF has made 70 awards of £16.4 million. By our calculations, **almost a third** of those awardees either had or were raising their match-funding through community shares. That figure is higher than might be expected, given community shares are a form of finance **unique to co-operative and community benefit societies, who only represent 11% of the wider social enterprise sector.**[13]

In our 2020 market report we acknowledged the impact of the Scottish Land Fund (SLF), providing capital grants up to £1 million to enable community ownership. Community Shares Scotland have found that 40% of Scottish share offers are match funded by the SLF. From 2012 to 2021, over 231 projects have received SLF money totalling over £39 million.[14]

"Recently, we have seen community shares hit the mainstream, crossing political and cultural boundaries and bringing people from all backgrounds together.Just in the last couple of years, Welsh actor Rhys Ifans and current Prime Minister Rishi Sunak have both invested in their local community pubs. Stephen Fry and Joe Lycett have lent their support to the Joiners Arms and Ed Sheeran with the Music Venues Trust offer.

JOHN DAWSON,
HEAD OF MARKET
DEVELOPMENT

More tools in the toolbox – tax reliefs and platforms

Tax reliefs

In the three years from 2013-2015, before community energy became an excluded activity, **69% of all community share offers looked to offer tax relief** on their investment. This was predominantly through the Seed Enterprise Investment Scheme (SEIS), 35%, the Enterprise Investment Scheme (EIS), 32%, with Social Investment Tax Relief (SITR) in its infancy at 2.5% of offers during this time period. These offers combined raised over £74 million in equity from individual investors to tackle climate change and address local needs.

From 2016-2021, only **34% of community share offers looked to offer tax relief.** This was represented by SITR (17%), SEIS (11%) and EIS (5%). Over these six years, £22.5 million was raised in community shares offering tax relief.

At the point of writing, it is the case that SITR will no longer be available to investments made after 6 April 2023. **There is evidence that tax reliefs can be an effective tool in the box to leverage significant private investment into community-backed businesses with impact.**

We will continue to work with HM Treasury and relevant government departments to encourage a pragmatic approach to tax reliefs for community share offers and other forms of social investment.

Online platforms

The use of online platforms for community share offers reached a turning point in around 2015.

Since 2015, **40% of all community share offers have used a platform.** 17% of these have been through Ethex and 19% through Crowdfunder, with some smaller platforms also emerging. Before 2015, only around 10% of share offers used a platform - 7% used Microgenius and less than 4% used Ethex.

The majority of share offers are still run offline, evidencing the importance of real life interaction and a sense of the tangible nature of any investment in a community, whether in pubs, piers or queer bars. Nevertheless, platforms have transformed the administrative process of running a community share offer from paper application forms, bank transfers, cash and cheques, to a seamless and secure method of managing transferring a lot of money from a lot of people. Additionally, they have streamlined the ability to share information on the investment, with captivating video content and links to social media.

Ethex has engaged with funders to leverage in additional match investment into share offers hosted on their platform. Since 2020, Ethex has announced £1.5 million from CO2 Sense, Postcode Innovation Trust and MCS Charitable Foundation in match investments.[15]

Sporting share offer nets generous community investment

Ballymacash Sports Academy in Lisburn, Northern Ireland, was formed in 2017 to create space for more people to participate in sports – and to contribute to community development and regeneration.

In 2018, their first community share offer was a massive success, enabling The Academy to achieve funding of £580,000 to acquire a full-size floodlit 3G artificial grass pitch, a 100-seat spectator stand, outdoor gym equipment, new perimeter fencing, mini allotments and a community garden.

A second successful community share offer in 2022 raised an additional £22,250 – with 69 investors in 33 days – to improve facilities, buy gym equipment and enable The Academy to provide more classes. This centre is now at the heart of the community and provides more space for communities to come together.

"With better facilities, we can reach out to more people and get more people involved in The Academy, which is key to our past and future successes."

NEIL WOOLSEY,
BALLYMACASH SPORTS ACADEMY MANAGER

Conclusion and recommendations

This report has evidenced that community shares are an effective and unique form of finance that works across a diversity of trade sectors and business models while embedding democratic principles. In turbulent times, with communities facing an economic recession, climate crisis and multiple reasons to be pessimistic, we are heartened to see communities coming together to invest in a better future for themselves and future generations.

1 Enabling policy environment

The evidence shows that an enabling policy and funding environment is critical to the growth of specific sectors. With the right support and incentives, community shares will make a significant contribution to tackling some of the key crises we are facing, including the climate crisis and epidemic of loneliness. **We recommend any policy interventions to grow specific sectors, takes into account the nuances of the needs of raising finance to deliver these critical objectives.**

2 Create a snowball effect

The 'snowball' effect of successful share offers is evident and should be supported through community shares community learning exchange programmes. **Localised sharing of knowledge should be facilitated by renewed or ongoing provision of geographically rooted community shares support.** This is effective when combined with existing infrastructure and membership bodies, embedding the mechanism with community and co-operative advisors across the country.

3 Meet demand for institutional investment

We recommend that more funders and social investors should consider community shares as part of their wider funding and investment portfolio to create a more 'enterprise-centric' approach. The community shares mechanism enables funders to take more risk with their capital while still investing in the long-term sustainability of a business.

4 A further £40 million

As part of the CSU's response to the Government's Dormant Assets consultation, we have called for a further £40 million to be invested into the community shares market. This will meet the growing demand for institutional investment within the wider context of the social investment sector's need for reform and the wider political support for community ownership.[16]

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Photo: Nudge Community Builders - Plymouth

CO-OPERATIVES UK

Co-operatives UK is the network for thousands of co-operatives. We work together to promote, develop and unite member-owned businesses across the economy. From high street retailers to community owned pubs, fan owned football clubs to farmer controlled businesses, co-operatives are everywhere and together they are worth billions to the UK economy.

Co-operatives UK Limited

Holyoake House

Hanover Street

Manchester M60 0AS

Tel 0161 214 1750

www.uk.coop

www.communityshares.org.uk

Twitter: @comshares

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