

# Introducing Community Shares

## The rise of direct, positive investment

[communityshares.org.uk](http://communityshares.org.uk)



# What are community shares?

A form of withdrawable, non-transferable share capital unique to co-operative and community benefit society legislation

Powered by Withdrawable Share Capital

Unique to co-  
operative and  
community  
benefit  
societies

Non-  
transferable,  
nominal

One Member  
One Vote

Exempt from  
regulation  
under the  
FSMA 2000

Interest  
payment  
only  
sufficient to  
attract  
investment

# The value of community shares



## Capital

“Community shares offers can provide long-term risk capital linked to the performance of the society”



## Leverage

“Community share offers can lever further funding based on the ‘first move’ of the community”



## Governance

“Community shares can give members meaningful involvement in the running of the society”

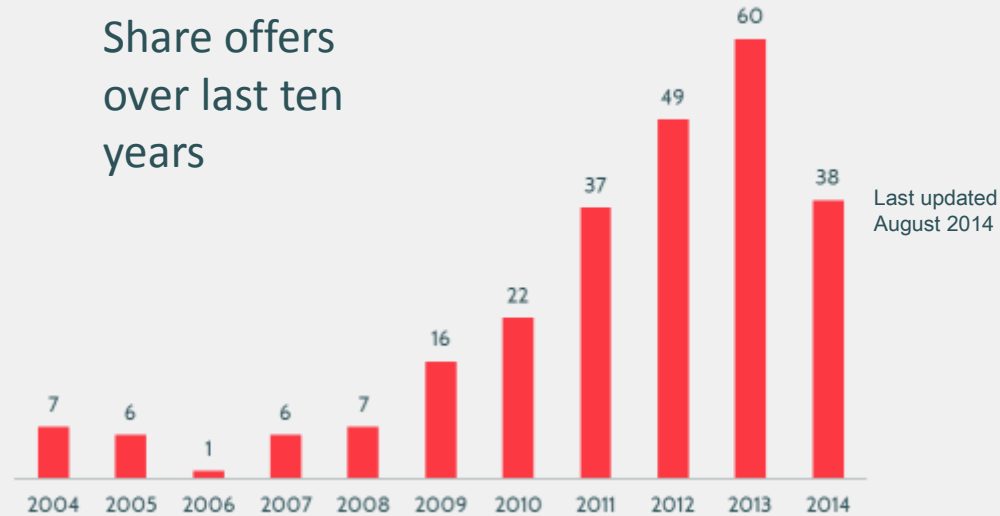


## Operation

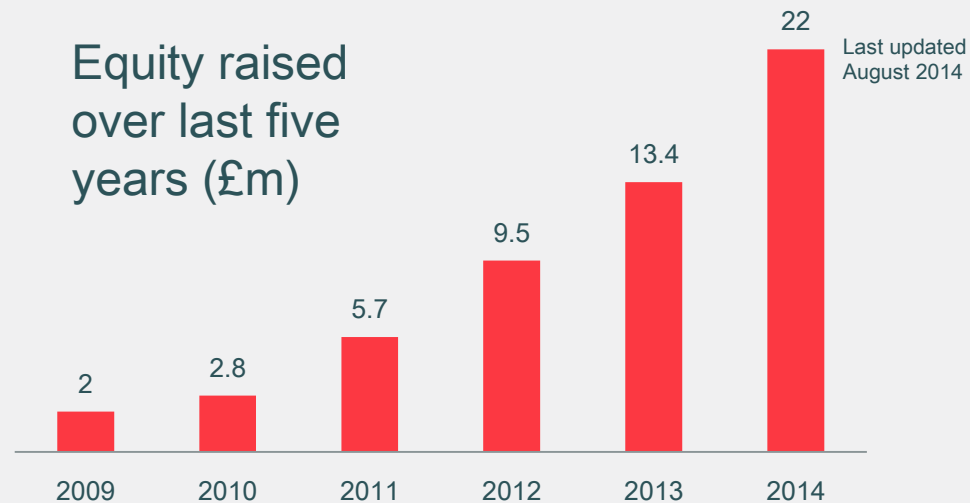
Community share offers can ‘bake in’ the customer base and promote member involvement in the operation of the enterprise”

# The Community Shares Market

Share offers  
over last ten  
years



Equity raised  
over last five  
years (£m)



## Key market indicators (2012-2014)

Nearly 500 new  
societies registered

Almost 200 share  
offers undertaken

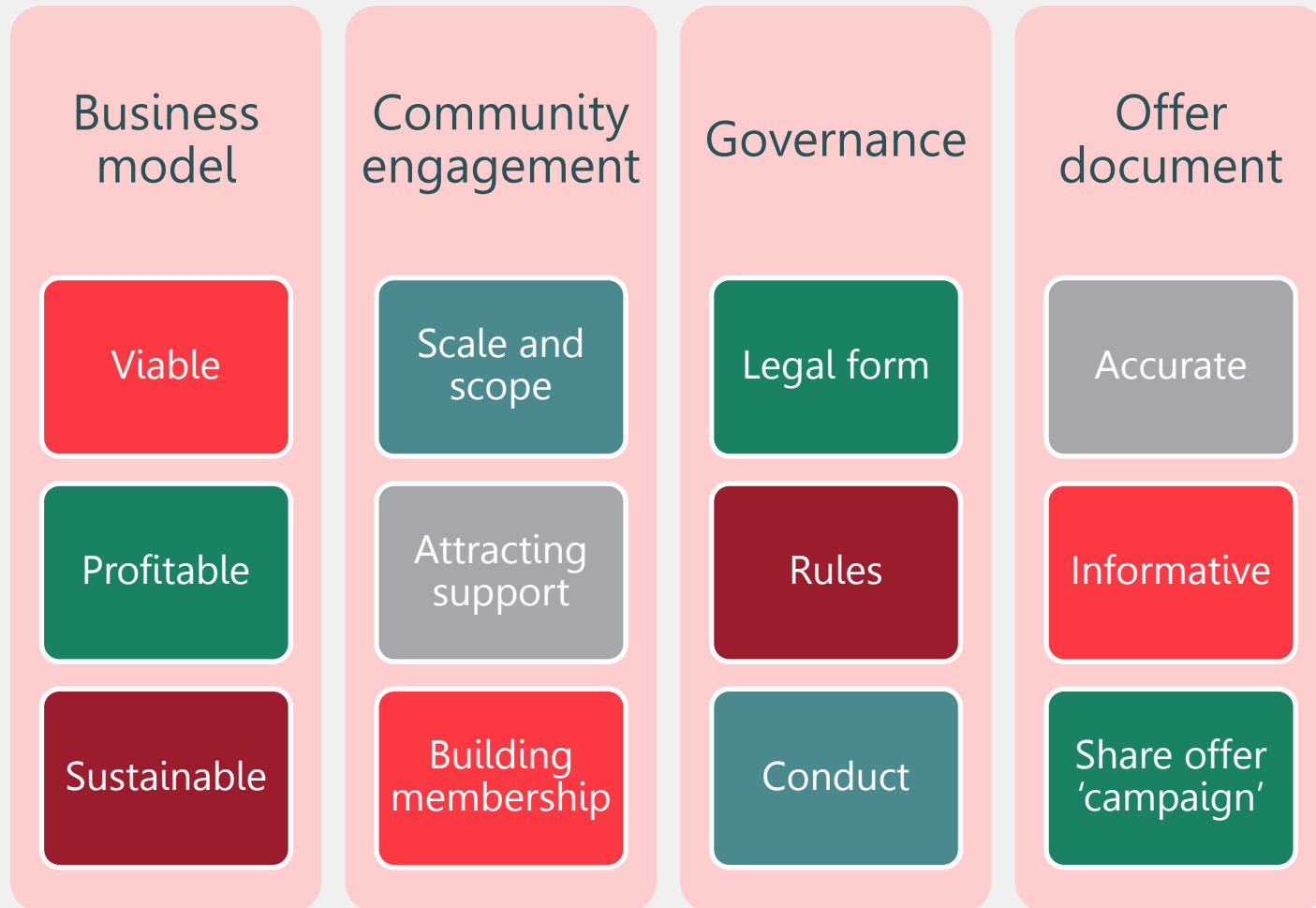
Est. £50m raised  
from over 50,000  
members

Average offer  
raised (based on  
Microgenius):  
£175,000

Average  
membership  
250 members

Average  
investment per  
member (based on  
Microgenius) £386

# Key pillars of a successful share offer

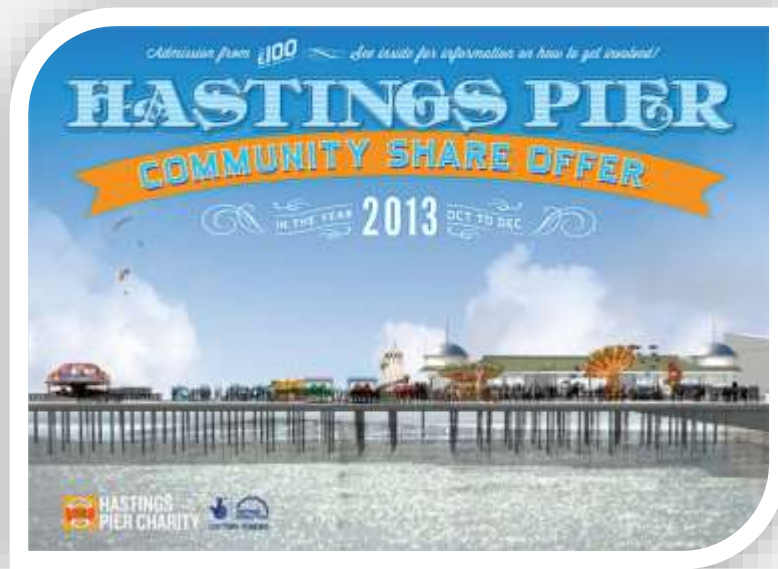


## Case Study: Hastings Pier

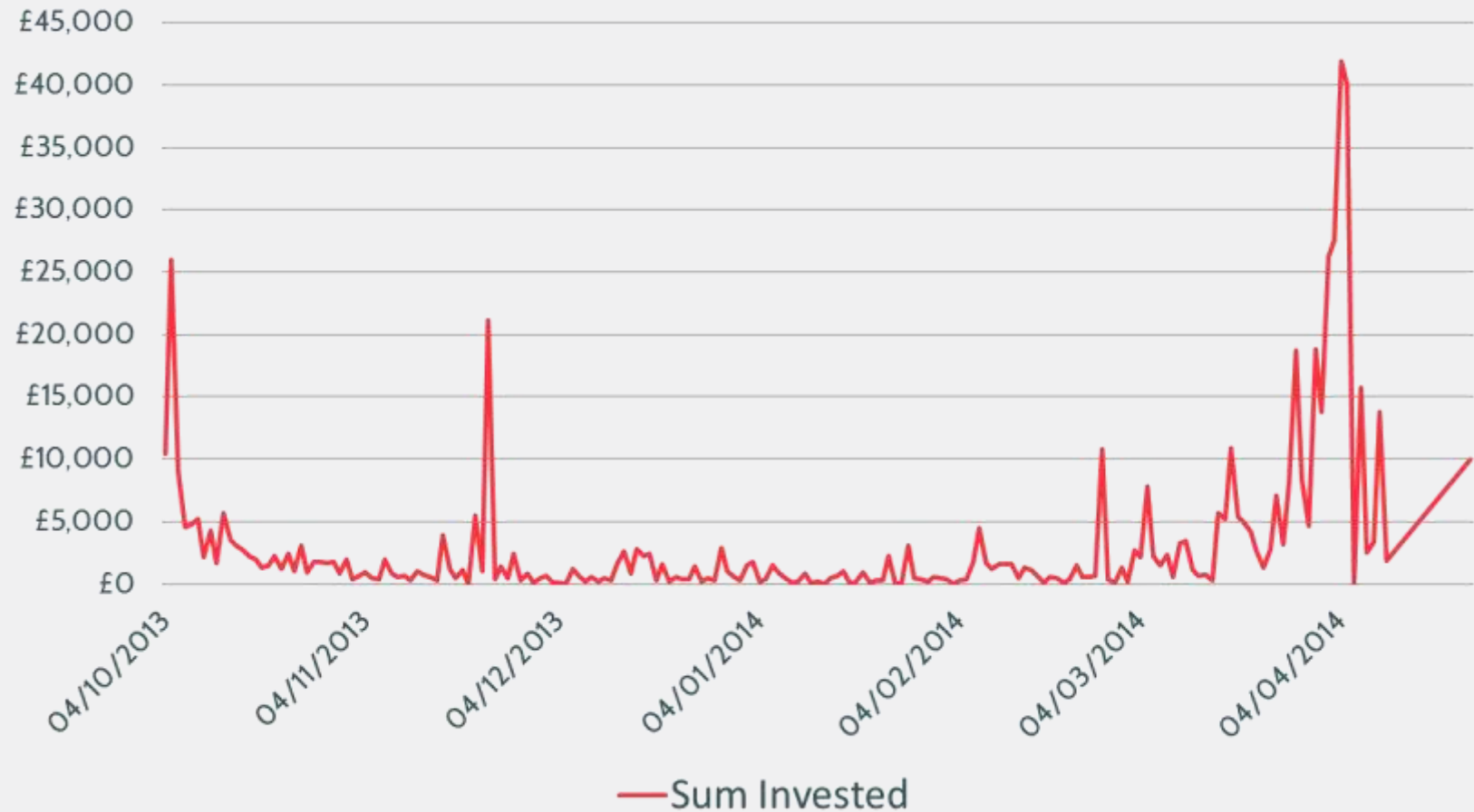
Hastings Pier Charity was registered as a charitable company limited by guarantee to help take forward the renovation of the pier after years of neglect and the devastating fire in 2010.

The restoration of the pier required significant capital investment. During the process of raising the funds, the Charity identified the possibility of inviting local people and other interested parties to invest in the process of renovation through a community share issue.

Hastings Pier Charity converted to a charitable community benefit society and launched a community share issue with support from the CSU including listing on Microgenius, which was a remarkable success, raising over £575,000 from over 3,000 investors. The process also illustrates that charitable status need not be a bar to raising funds by means of a community share issue



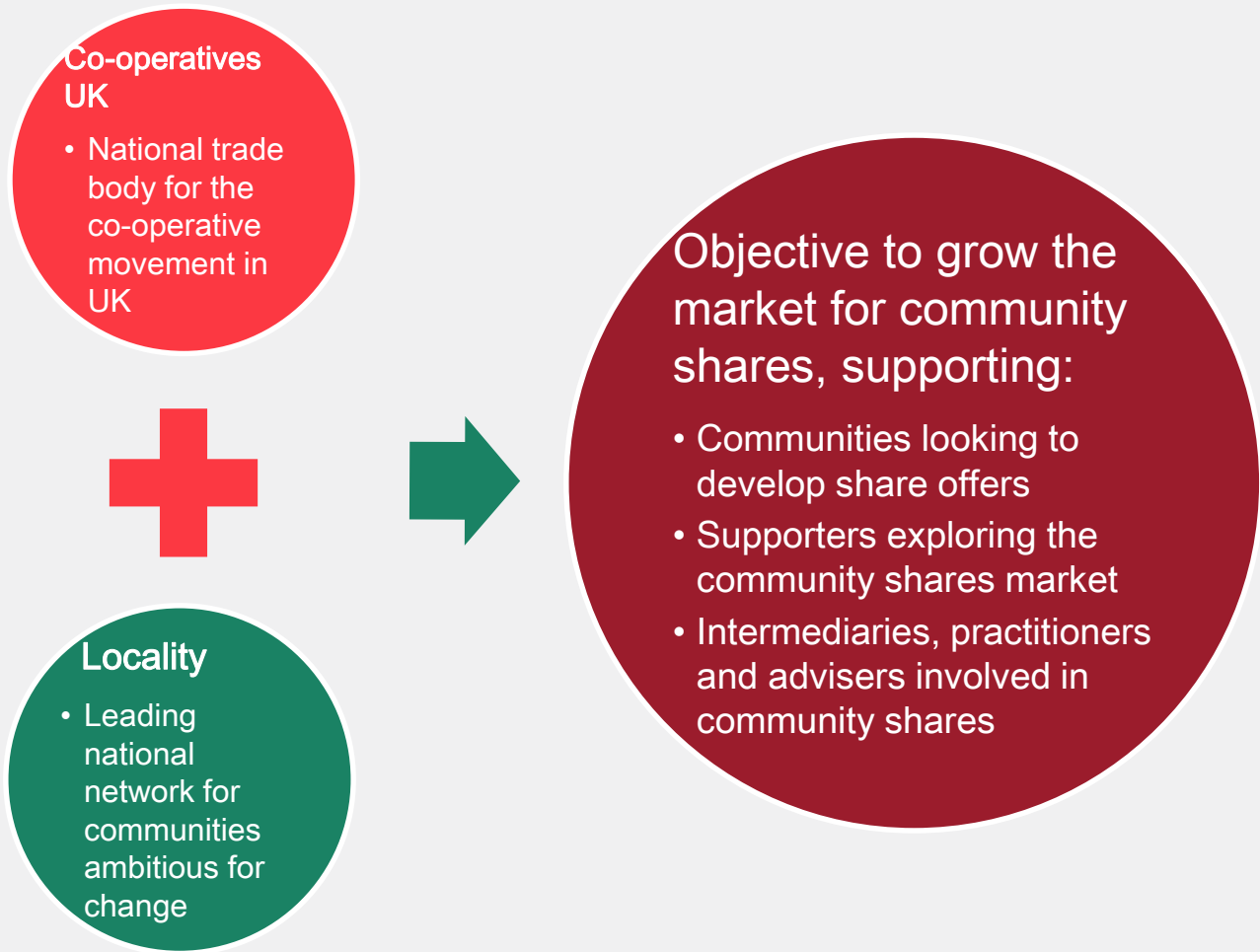
# Microgenius intelligence: Hastings Pier timeline





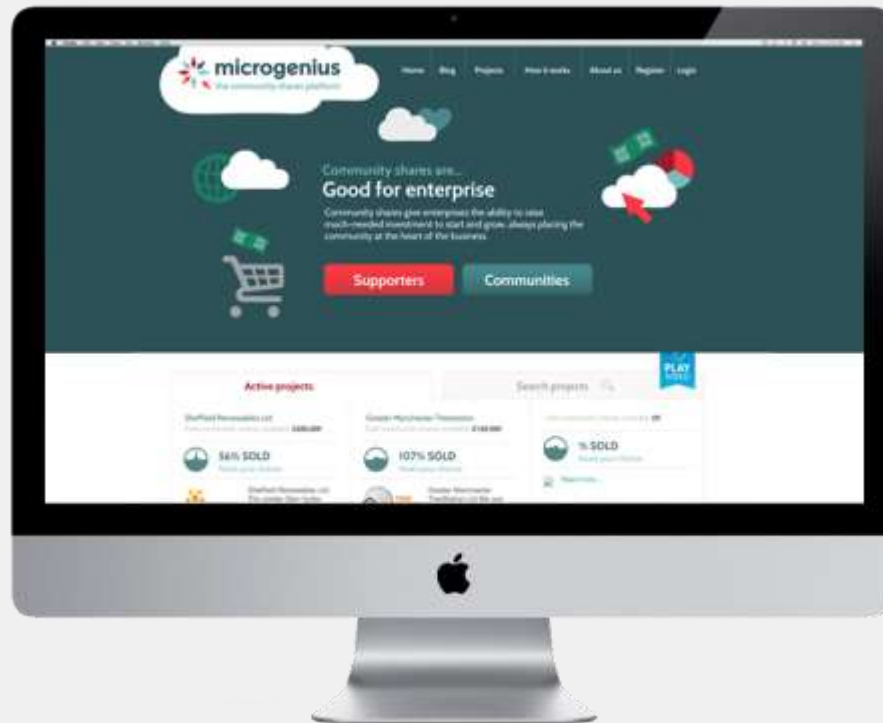
# What is the Community Shares Unit?

Launched in 2012 and funded by Department for Communities and Local Government, the CSU is delivered by CUK and Locality to grow the community shares market. The CSU covers England, and is a partner on the Community Shares Scotland programme



# Introducing Microgenius

CSU is running Microgenius as a pilot to explore the value of an online platform to host community share offers – since June 2013, 12 share offers have raised nearly £1.5m



Technological tool for  
both enterprises and  
supporters

Secure  
payment facility

Shareholder  
register

Social media  
and online  
presence

Visible portal  
for all compliant  
share offers

# CSU and market development

The CSU works on a more intensive basis to support market development. Examples include working with Hastings Pier (charitable conversion), FC United (community engagement, SITR) and Bell Inn, Bath (buy-out practices).



## By sector:

exploring the use of community shares in new and emerging markets such as heritage, sports media and transport



## By geography:

developing a 'hub and spoke' model for a UK-wide CSU which works alongside the devolved nations



## By audience:

engaging new and promising audiences such as local authorities, CDFIs and charities



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

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

[communityshares@uk.coop](mailto:communityshares@uk.coop)



# Salford CVS: Brave New World

## 5 February 2015



# A Thought for Discussion

- In 1989/1990 Communism failed
- In 2007/2008 Capitalism failed
- Enterprise based upon Social Values is the future

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# Social Investment in the UK



Since 2007/8 there has been a positive switch to Social Enterprise:

- 15% of SMEs are social enterprises – ie “not-for-private-profit” companies, charities, CICs, Coops, etc
- That is: 180,000 Social Enterprise employers
- 2 Million employees, Income £163bn pa; contributing £55bn Gross Value Added (GVA) to the UK economy pa.

**But.....**

- Commercial Lenders do not understand, and therefore few lend!
- Gap in the market: Social Lenders and Investors required

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# The Social Investment Market



- In 2010/11 - £165M was invested or lent
- In 2011/12 - £202m
- Forecasts:
- Big Society Capital/Boston Consulting: £1Billion by 2016

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# What is Charity Bank?

- A Social Bank – not a contradiction in terms!
- To lend to not-for-private-profits
- A fully regulated bank which grew out of Charities Aid Foundation 13 years ago.
- We have offered £200m+ to over 1100 organisations for projects costing £400m
- Nationwide coverage with a regional structure.
- We use 100% of our customers deposits to support the sector.
- We do not borrow from the money markets

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# Charity Bank Loans

**Who we lend to: must be “not-for-private-profit”**

- Registered charities/CIOs
- Companies limited by Guarantee
- Community associations/CICs/IPSS/Coops
- Unincorporated voluntary organisations

We will consider all requests as long as the purpose of the loan has a social / charitable outcome.

- From £50,000 up to £3,500,000
- Loan Term 6 months **to 25 years**

Around:

- 95% is secured for asset purchase, upgrade, extension
- 5% is unsecured

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# Current Priorities

In the current economic context, we will look to give priority to organisations where:

- The organisation is seeking to invest in **new income-generating activities** to perhaps reduce grant dependency
- **high social impact** is anticipated as a direct result of the loan.
- The organisation making the request is **unable to borrow money from other sources.**

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# What can you use a loan for ?



- **Long term asset finance**
- Short-term working capital
- **Bridge Grants - payment before receipt**
- **Invest in income generating projects**
- Buy equipment & vehicles
- Buy property (cheaper than renting?)
- **“Last brick” in fund raising campaign**

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# How much will it cost?



- Interest rates will vary between 3.5% and 7.5% dependent upon the size of the loan, its purpose, risk, and the term for repayment, usually variable as a rate over Base Rate
- An up-front arrangement fee of 1% plus legal expenses
- No penalties for early repayment of all or part unless refinanced within the first 5 years

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# What do we look for?

- The **social impact** of the organisation: what will happen to the surpluses?
- **Business plan** including financial projections.
- Evidence for the **reliability of income streams** and the ability to repay us: track record or evidence for assumptions
- **Good governance** structure & the right people with appropriate spread of skills and experience
- **Risk Assessment** or **Register** evidencing a system of planning that takes account of the risks the organisation faces and how it will deal with them

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# Case Study: East Lancashire Deaf Society, Blackburn



**Loan of £600K for £2.5M:**

**Partnered with BII & CCF**

**Community, Regeneration, Training  
& Employment & Social Care**

office accommodation, restaurant,  
social care services, creche &  
nursery, for the profoundly deaf  
community and their families.

King's Court Blackburn, a listed  
building, former Council Chambers.



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# Loans in and around Salford & Greater Manchester



- After Adoption
- De La Salle Sports & Social Club
- Manchester Maccabi Community & Sports
- Manchester International Churches
- Stockport Hydro
- Stockport Garrick Theatre
- Vinelife Church Manchester
- Romiley Life Centre

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