

Community Land & Finance CIC

Social Impact Report
Year two (2013/14)



...growing local solutions
...building resilient communities



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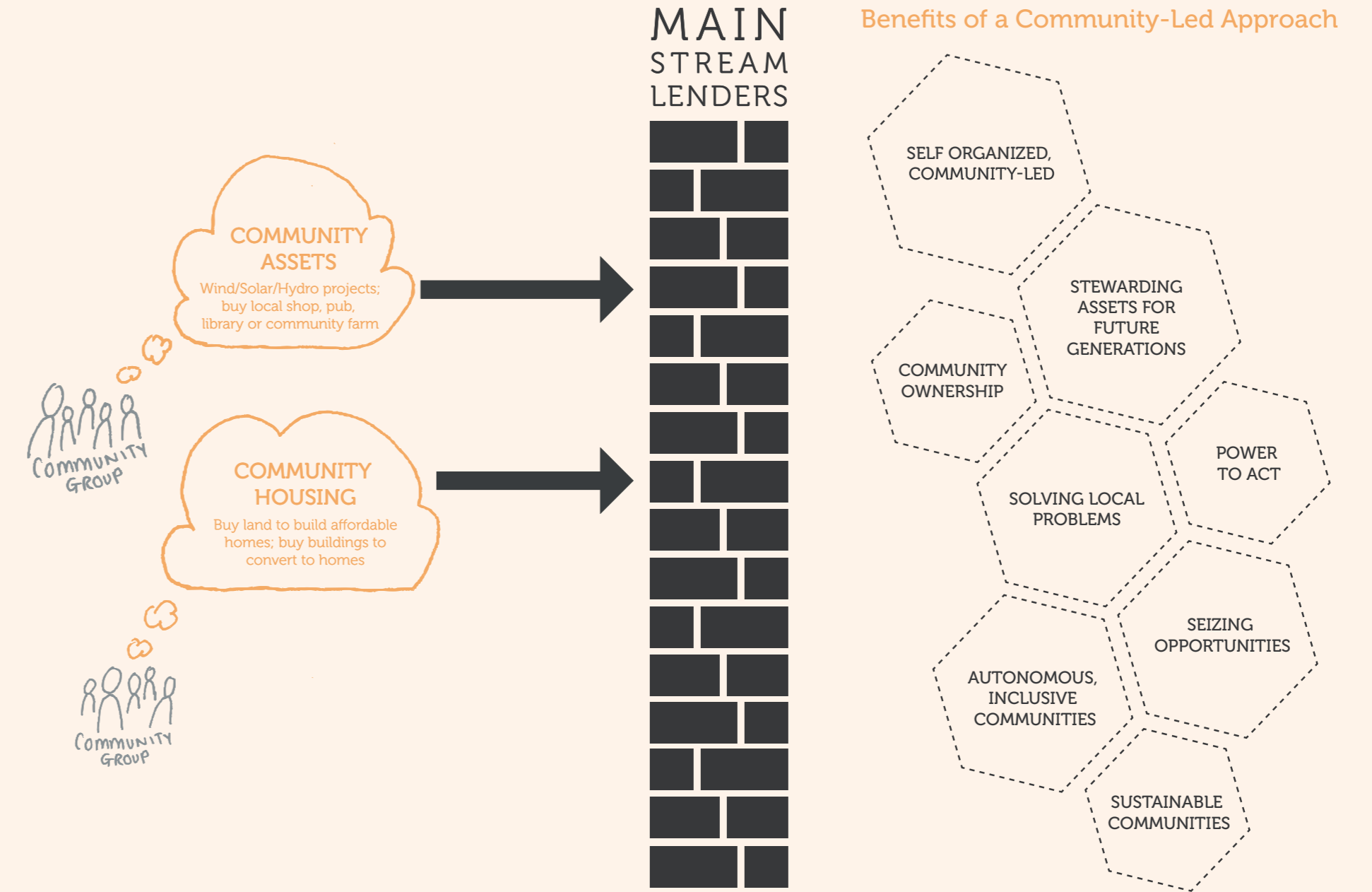
1. Introduction

The problem

All across the UK, people facing challenges in their neighbourhoods are getting together to provide the solutions that big organizations – public or private – are unable to carry out. We know because they get in touch and tell us about it.

In Holsworthy, young families were being forced away by skyrocketing rents and house prices. If the town and the surrounding villages were to survive with the schools, shops and local firms intact, there needed to be new homes built in which people could afford to live. Volunteers from the community got together and formed a Community Property Trust (CPT), identified a site and a method of providing homes affordably, and then faced the problem common to all: finance in a period of public cutbacks.

For many years now we have seen the same shift in culture at the local level that replaces the stereotypical NIMBYism of the past, with positive vision. The difficulty is that whilst mainstream finance is awash with cash once again, it routinely does not understand these small, often start-up organizations with their voluntary boards and lack of existing assets. Their visions are stalled.



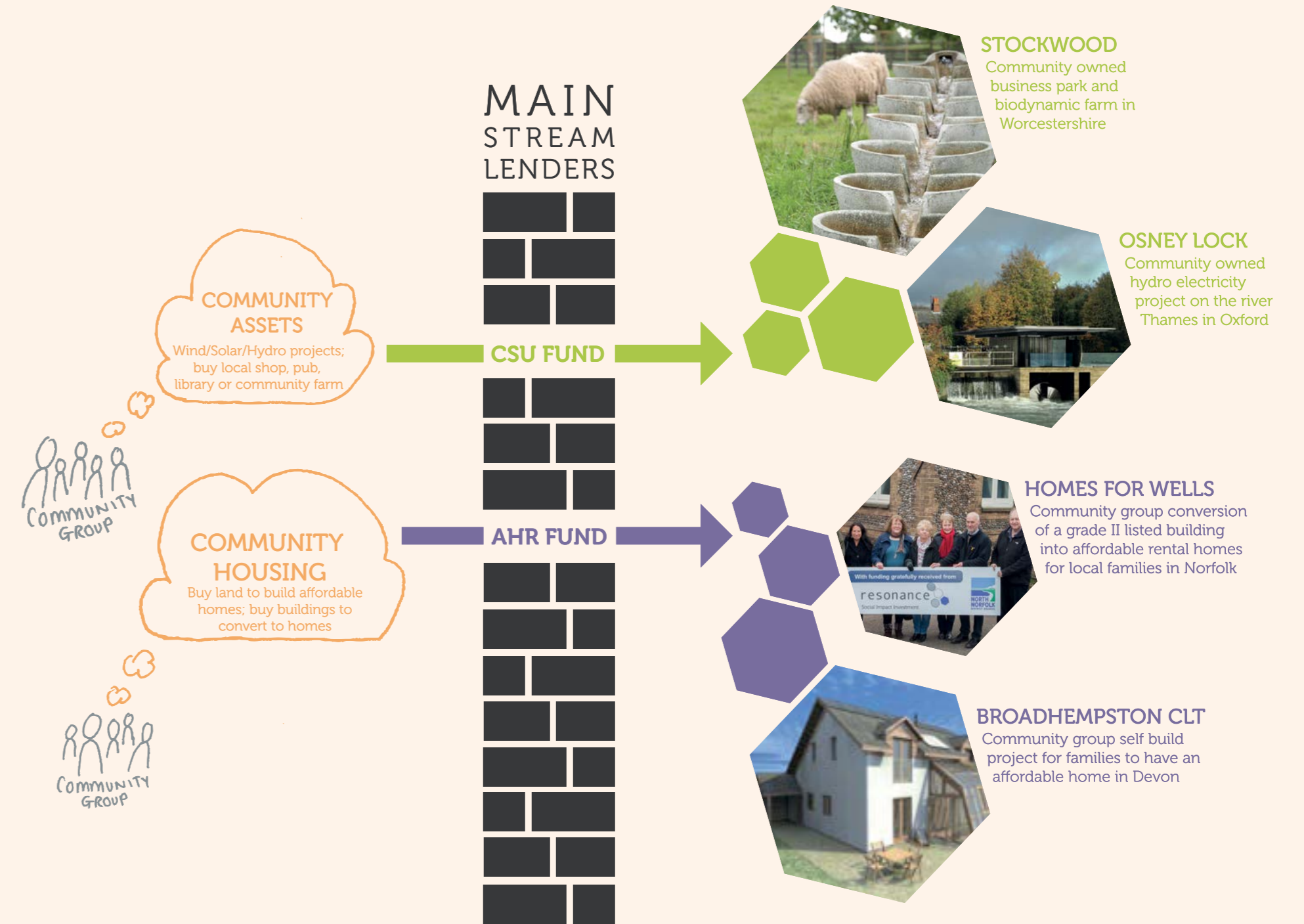
Our solution

Resonance, through its community lending arm, Community Land & Finance (CLF), connects these local initiatives with investors who value this community-led approach. It works with them to get their solutions off the ground, using two linked impact investment funds: flexible finance for affordable homes and cash to support community share issues. These funds encourage communities to get their vision built, and eventually, to re-engage with mainstream finance with the advantage of proven track record and assets.

For example Broadhempston CLT is now working with CLF's Affordable Homes Rental Fund to get their homes built, and in a few years' time they can be refinanced from a position of strength. Most importantly, the local solution is up and running.

Elsewhere, the folk at Stockwood Business Park and Rush Farm saw this leading, biodynamic farm and business park about to fall victim to the credit crunch. They decided to put it into community ownership in order to provide long term stewardship of this important local resource. The farm, together with the twenty or so commercial tenancies on site, are working in tandem as viable businesses which can also grow their local social and environmental impacts. Since the community took ownership via a community share offer, CLF's Community Share Underwriting Fund was able to provide financial backing to the community share offer and, by providing its investment commitment early, gave confidence to both equity and loan investors. The solution is now taking effect, with a significant local ownership element.

Sections 2 and 3 provide some more detail on exactly how these two impact investment funds are helping local communities get things off the ground.

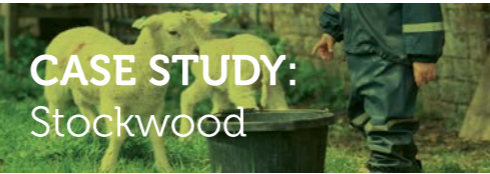


2. Community Share Underwriting Fund (CSUF)

The Community Share Underwriting Fund (CSUF) can intervene to help local communities raising community investment* in three different ways: depending on the stage at which it is used, it can help to build **confidence** in a share offer before it launches, add **momentum** to an offer which is already underway, or **bridge** the gap which might emerge at the end of an offer, which has not quite reached its target. In all cases the impact is to make it more possible for local people to make local projects happen, and to keep more of the ownership of that within the community.

* For those not already familiar with Community Share Offers, we've provided an informal primer in Appendix 3.

CONFIDENCE



CASE STUDY:
Stockwood

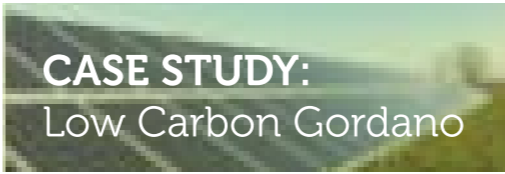
ISSUE:

Stockwood Community Benefit Society was contemplating a large community share offer to put the farm and business park into community ownership, but wanted to give these ambitious plans the best chance of success.

HOW CSU HELPED:

Resonance engaged early with Stockwood CBS, which enabled the group to launch their share offer with the backing of CSUF, providing confidence to investors.

MOMENTUM



CASE STUDY:
Low Carbon Gordano

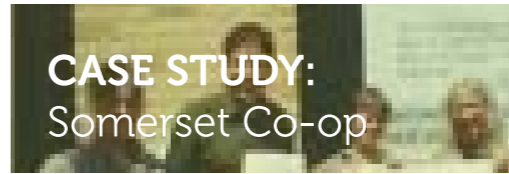
ISSUE:

The community group was doing well in raising their funds, but needed more momentum to get to their target.

HOW CSU HELPED:

Resonance agreed a facility with the group shortly after they launched their share offer, which provided the much needed momentum, resulting in the fund raise target being met.

BRIDGING



CASE STUDY:
Somerset Co-op

ISSUE:

The community group had acquired a building to develop into affordable homes and needed to raise investment to fund the conversion.

HOW CSU HELPED:

Resonance engaged with the group towards the end of the share offer, to fund the gap in finance. This enabled it to start the conversion of the building.



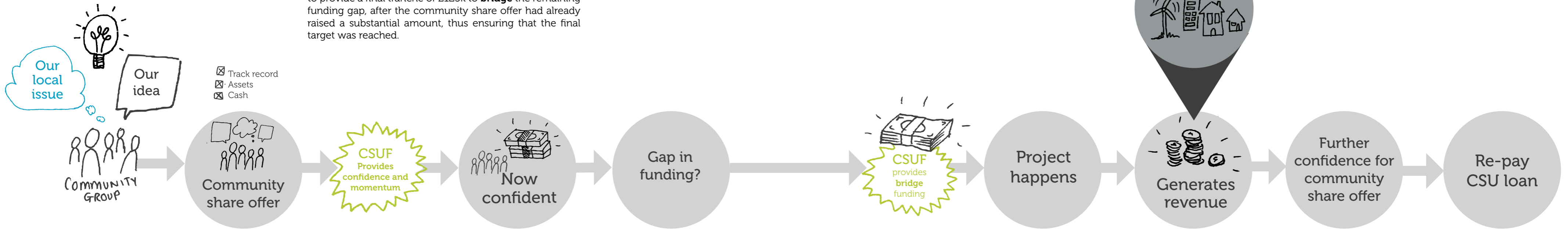
More detail

At Stockwood, the group was planning its share offer having set up a Community Benefit Society; but would it be able to raise enough in shares to get the urgent job done of buying the biodynamic farm and business park? The overall financing target was high, at nearly £3m, so the community shares would provide the crucial equity needed to draw in the bank. The CSUF engaged with the group prior to the share offer launch, which provided **confidence** to potential investors to invest in the project. The offer was a success, and together with the share capital, investment from BDLT, the CSUF and a bank loan, it enabled the farm and park to be put in trust for the community.

Low Carbon Gordano sought to raise £2m to install an array of photovoltaic panels generating green energy on the edge of Bristol. The community share offer was launched with great local support, including the city's elected mayor at the podium; but could they raise the amount needed to get the project built? The CSUF agreed a £600k underwriting facility for the community share offer, shortly after it was launched, which gave the fundraise significant **momentum**; the share offer picked up speed and the total was raised.

Elsewhere, Somerset Co-op needed one last boost to reach its total for its community share offer to build affordable housing in Taunton. Success of the community share offer meant affordable housing for local people, so much was hanging on getting to the target. The CSUF was able to provide a final tranche of £125k to **bridge** the remaining funding gap, after the community share offer had already raised a substantial amount, thus ensuring that the final target was reached.

The journey a typical project might take is shown below. The community group identify not only the problem (that's the easy bit) but also a solution, checking that others in the community agree. They turn to the CSUF if that solution includes Community Shares, and we rigorously check the suitability of the proposal for this kind of investment. We also may add some informal advice and guidance at this point. Once received, CSU funding adds **confidence** and **momentum** and **bridges** finance gaps. This ensures the community's solution can happen, the asset can be built, start generating income and eventually aim towards replacing the CSU loan with more shares. This is easier now, with track record and an income generating asset to show for it: one that's tackling the problem the community identified in the first place.



3. Affordable Homes Rental Fund (AHRF)

The Affordable Homes Rental Fund (AHRF) engages at three points in the story of a locally led affordable housing project*. It can provide **guidance** and signposting to projects at an early stage, up to **100% funding** for projects ready for construction, and **flexible term loans** for already constructed homes, which can be made available for affordable rental. In all cases the impact is to make it more possible for local people to identify and deliver solutions to their own local affordable housing problems.

*If you've not come across Community Land Trusts before, we've given some general background on this community-led approach to affordable local housing in Appendix 4.



More detail

The Homes for Wells Community Group had identified the site it wanted and needed to know if it could pay for the houses it wanted to build and let out. AHRF gave the group plenty of **guidance** on how the funding works but importantly, on the key elements it would need to work out in order to convince any funder to get involved: acquisition and development, costs, planning permissions and income. The group went away with informal advice and a comfort letter showing how AHRF could get involved; which gave them **confidence** to take on the project themselves as opposed to handing it over to a local housing association.

At Broadhempston CLT, all the costs and planning permissions were in, but who would lend a voluntary body enough money to get the homes built? Mainstream finance would lend only part of the costs and be too expensive. Again,

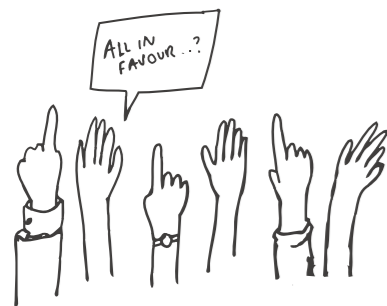
AHRF had worked alongside the group up to this stage, and **100% funding** of the costs the CLT needed to cover were met by the construction loan that AHRF agreed. The self-build group could finally get on site.

Holsworthy CPT were further along the route as their homes were already built using a short term construction loan from elsewhere. A construction loan is not the end of the story. If homes are to be kept by a community group and let out affordably, instead of sold for immediate income, who would pay off the construction loan? The AHRF agreed a refinancing deal that did more than mainstream lenders could: It took 100% of the net rents into account and a higher loan to value, meaning more cash was available immediately. In a few years' time, this **flexible loan** will have paid down enough capital to allow Holsworthy CPT to refinance with a mainstream lender.

The progress of a typical project is shown here. The community group identify a lack of affordable housing to rent in their area, and want to get some built. The problem is that mainstream finance turns them away at the door because it's not set up to deal with such groups and it does not have the right payment profile and/or financial model to suit their requirements. The group turns instead to the AHR Fund and we rigorously check the proposal. We often add some informal advice and guidance at this point. Once received, AHR funding means the community's homes for rent can get built, start generating rents and eventually aim towards replacing the AHRF loan with mainstream finance. This is easier now, with track record and an income to show for it: one that's providing those affordable local homes that otherwise would not have been built.



4. What is community impact?



What is a community-led project?

- People at grassroots level join forces to tackle a problem or seize an opportunity that will lead to wider community benefit. Their solution is often better than a top-down one from Government or a large scale institution, which may not be available anyway.
- 'Community' may be one of geography, interest or both: people join together to solve problems in their local area, or ones they care about more generally.
- When the asset is created, it must be stewarded for future community benefit. Community groups provide the framework for that to happen.

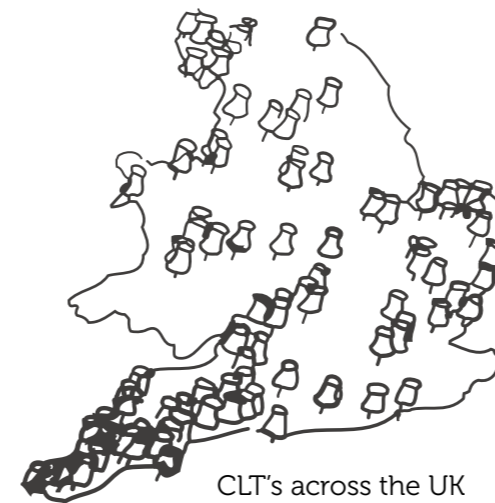
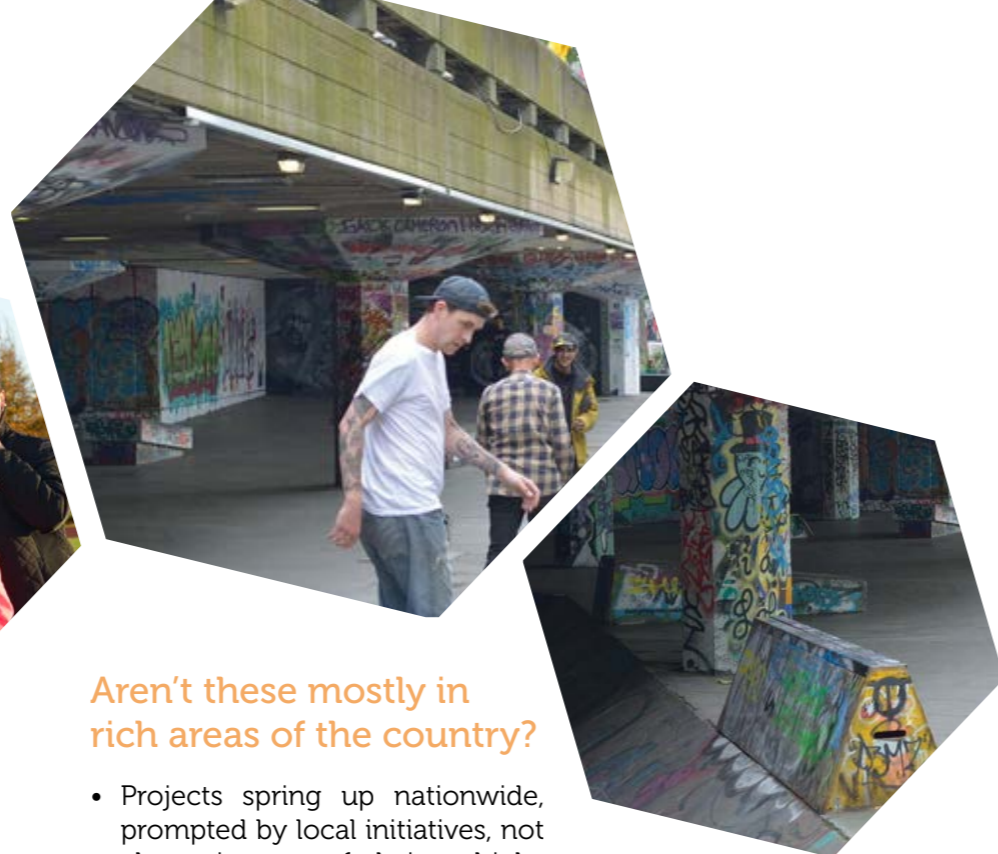


Who benefits?

- Some projects address immediate need e.g. affordable housing, but with a long-term view of community stability e.g. keeping a local school open.
- Preventing the "nearly poor" becoming the "really poor".
- Others are more indirect e.g. green energy, generating cash to be recycled for further beneficiaries e.g. tackling local food & fuel poverty.
- Often these are diverse and overlapping groups of beneficiaries.

Aren't these mostly in rich areas of the country?

- Projects spring up nationwide, prompted by local initiatives, not always in areas of obvious, highest economic deprivation.
- Areas of higher socio-economic wealth are for now, more likely to initiate projects due to greater availability of skilled volunteers and financial resources.
- HOWEVER, analysis of the Index of Multiple Deprivation (IMD) shows that "well off" areas often hide or exist alongside areas of deprivation.
- Prosperity often co-exists with deprivation and community projects are an effective way to bridge this gap.



CLT's across the UK

Isn't this small scale stuff?

Individual projects may look small: 10 houses will not solve the UK housing crisis and 50kW of green energy will not meet the UK's renewables targets - BUT these "micro" projects are often better able to target a specific issue than a large scale national solution. For example, a Community Land Trust delivers a niche scheme for local families where a Housing Association couldn't AND once a model for local action happens in one place, it inspires others and can be more easily replicated. There has been a huge increase in Community Land Trusts and Community Share Offers across the country in recent years.

So what is the impact?

Like any social enterprise, examples reach us of highly effective and impactful projects and also less effective ones.

Importantly, we screen for those which set out to achieve high social impact.

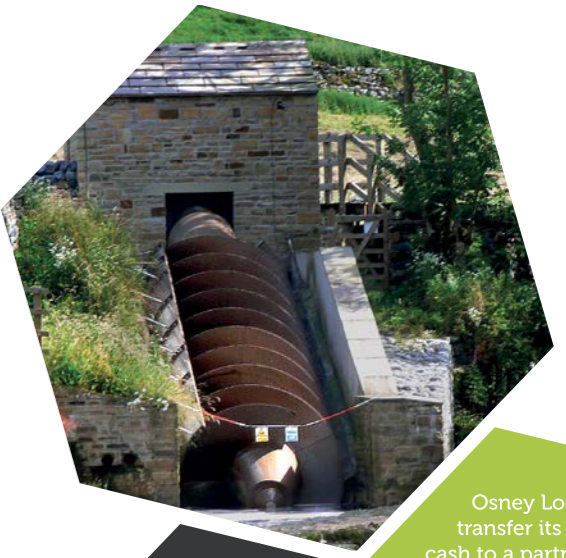
We use a specific matrix of criteria to assess the impacts of those Community Land Trusts and Community Share Issues that contact us. And we've explained those in more detail in the next section.



5. How do we measure impact?

We've illustrated the five headings (AHRF) and four headings (CSUF) under which we measure the impact for the two funds, and some examples of what each means in practice.

How it works: Firstly we study the proposal from the community group to see if it has these elements, and to what degree. Then we speak to the project's key people to see if they mean what they say. We do this during a site visit to get a face-to-face sense of the location and people involved. We then analyse the project's financial track record and projections and other data to see what they can genuinely do. If an offer is made, one of the conditions is that we return annually to ask the same questions again, and learn what has been achieved.



Holsworthy Community Property Trust
Directors of the board are local people with a range of experience and jobs: solicitor, farmer, businessman & town/district councillors.

COMMUNITY LEADERSHIP
Will the project be supported by the local community and rely on the initiative and skills of members?

SECURITY OF TENURE
Are stable communities being built that give residents the sense of security and stability?

Broadhempston Community Land Trust
BCLT is undertaking a self-build project that will allow local families to build their own homes and enter into a shared ownership lease with the CLT. This provides a high level of security of tenure for these families.

AFFORDABLE HOMES RENTAL FUND

ADDITIONALITY
Is the project providing additional affordable homes?

Homes for Wells (Norfolk)
HFW is creating additional homes through the conversion of a local office building into affordable rental homes for local families.

COMMUNITY SUSTAINABILITY
Is there a real, evidenced need for the project locally? Is there an allocation policy to ensure this need is met?

Middlesbrough CLT
MCLT brings empty homes back into use, creating a more sustainable community for the area.

AFFORDABILITY
Are rents genuinely affordable in the local market context?

Bristol Community Land Trust
Rents equate to around 80% of the market rental levels for properties in the area.



Low Carbon Gordano
managed to raise £2.2m from 364 investors with an average of £6k from each person. Each investor is due to receive 7% interest on their investment.

UNLOCKING RETAIL INVESTORS CONFIDENCE
Will individual investors be empowered to invest directly into social enterprises with which they have a common interest?

CATALYSING MOMENTUM FOR COMMUNITY BENEFIT
Will local communities benefit from increased levels of ownership and involvement in common assets?

COMMUNITY SHARE UNDERWRITING FUND

AMBITION OF COMMUNITIES ENHANCED
Will the project's success contribute to greater ambitions for future projects in that community and others that see it?

Low Carbon Hub
has ambitious plans to develop a pipeline of renewable energy projects across Oxfordshire including solar, wind and hydro.

COMMUNITY TRANSFORMATION
Will the project bring benefit to the community, both in terms of social cohesion and direct benefits?

Osney Lock
will transfer its surplus cash to a partner charity (Low Carbon West Oxford) who will create a community benefit fund to finance local initiatives around transport, food, wildlife and waste reduction.

6. What do community groups say about us?

HOLSWORTHY COMMUNITY PROPERTY TRUST

"This innovative loan from Resonance allowed a local family to remain in the community and rent a home on an affordable basis."

Heather Stephenson, Project Co-ordinator, Holsworthy CPT

BRISTOL COMMUNITY LAND TRUST

"The loan offer from Resonance will allow us to both convert a local building and build new houses on a local derelict site to create more affordable homes for the community."

Keith Cowling, Chair, Bristol CLT

STOCKWOOD COMMUNITY BENEFIT SOCIETY

"We wanted to secure our farm in trust and identified a community buyout of the farm and the business park located on it as the best route. The Resonance CLF fund understood our vision and quickly came on board – priming the pumps for the many private investors and the anchor corporate lender that followed, and bridging the inevitable time gap it takes for crowd funding to gather momentum, so that the trust could be created straight away."

Sebastian Parsons, Director, Stockwood CBS

JOHN CLEVELAND COMMUNITY WOODHEAT

"We would like to thank the team at Resonance for arranging this facility and for supporting our share offer. Also the support this gave in helping boost investor confidence and reach our target."

Richard Halsey, Director, John Cleveland Community Woodheat

LOW CARBON GORDANO

"The underwriting facility arranged by Resonance was instrumental in providing the momentum for our share offer and provided confidence to the local people to invest, which meant we hit our target."

Jon Gething, Chair, Low Carbon Gordano

CORNWALL COMMUNITY LAND TRUST

"Resonance has supported many of our schemes with loan offers from their Affordable Homes Rental Fund."

Alan Fox, Director, Cornwall CLT

SOMERSET CO-OPERATIVE COMMUNITY LAND TRUST

"We were really pleased to have the comfort of knowing that once we had raised half of our fundraise target we had the option of taking the match funding from Resonance to develop our community housing project."

Alex Lawrie, Development Worker, Somerset Co-operative CLT

HOMES FOR WELLS

"We are really happy we took the decision to take on this project as a community group as opposed to handing this over to a local housing association. Resonance worked with us right from the early stages to understand our project in detail and we are thrilled that they are on board as a social impact investor into our project."

Jim Fergusson, Director, Homes for Wells

LOW CARBON HUB

"The CSUF team at Resonance made us an underwriting offer to coincide with the launch of our share offer, which was a fantastic boost in helping us secure the finance to install solar panels on school roofs across Oxfordshire."

Barbara Hammond

BATH & WEST COMMUNITY ENERGY, WILMINGTON PROJECT

"Resonance was involved before we launched our fundraise and we stated this in our share offer document, which provided confidence to invest and this form of underwriting was a key factor in us hitting our target."

Jeff Kenna, Managing Director, Bath & West Community Energy

BROADHEMPSTON COMMUNITY LAND TRUST

"We found Resonance's advice and support very helpful, particularly when we had to do some project restructuring. Overall, we appreciated the collaborative approach and the sharing of our vision of affordable, self-built housing for the village."

Richard Hickman, Chair, Broadhempston CLT

ECODYNAMIC COMMUNITY BENEFIT SOCIETY

"The underwriting offer from Resonance allowed us to raise more from the community than we anticipated and we only took a small amount of the loan to help us install our community owned wind turbine."

James Mansfield, Director, Ecodynamic CBS

OSNEY LOCK HYDRO

"We chose to work with Resonance as they are a social impact investor and they were instrumental in bridging the small funding gap we had by engaging with us right from the outset."

Barbara Hammond, Osney Lock Hydro



7. What community groups have we supported so far?

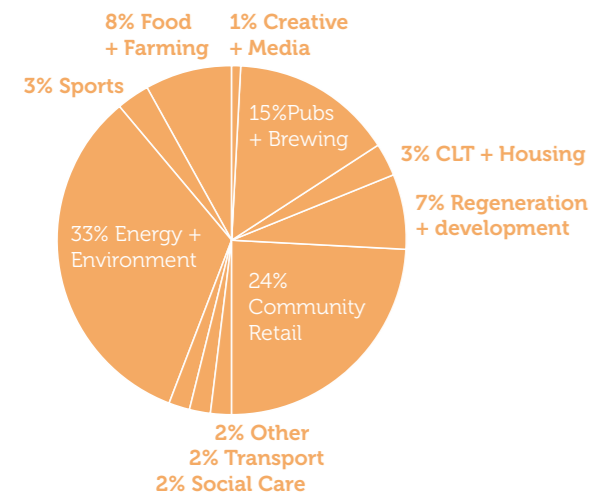


Note – Total of 24 shown above as Bristol CLT is both new build & conversion
 – Data relates to period: May 2012 to December 2014

8. Shape of the market

COMMUNITY SHARE OFFERS

What types of projects are there?



How much money was raised?
How many members are there?

£35 million raised
from over
35K members



Average 175 members

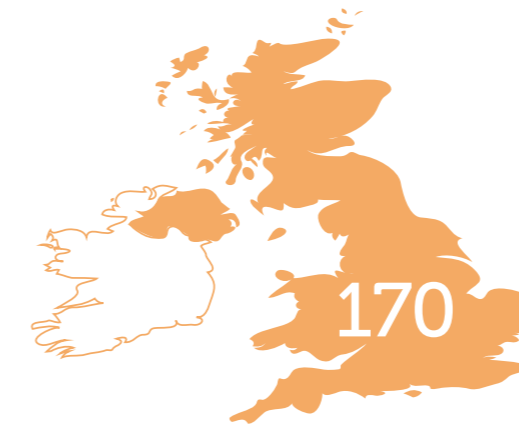
How many share offers were undertaken?

200

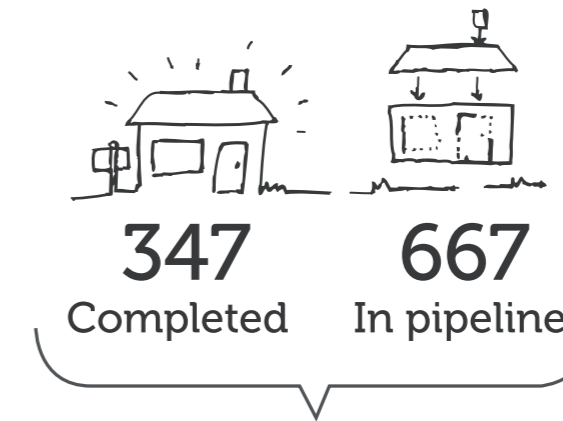
Source: Community Shares Unit. Period: 2009 – 2014

COMMUNITY LAND TRUSTS

How many CLTs are there?



How many community-led affordable houses are there?



1014

How much did they cost?

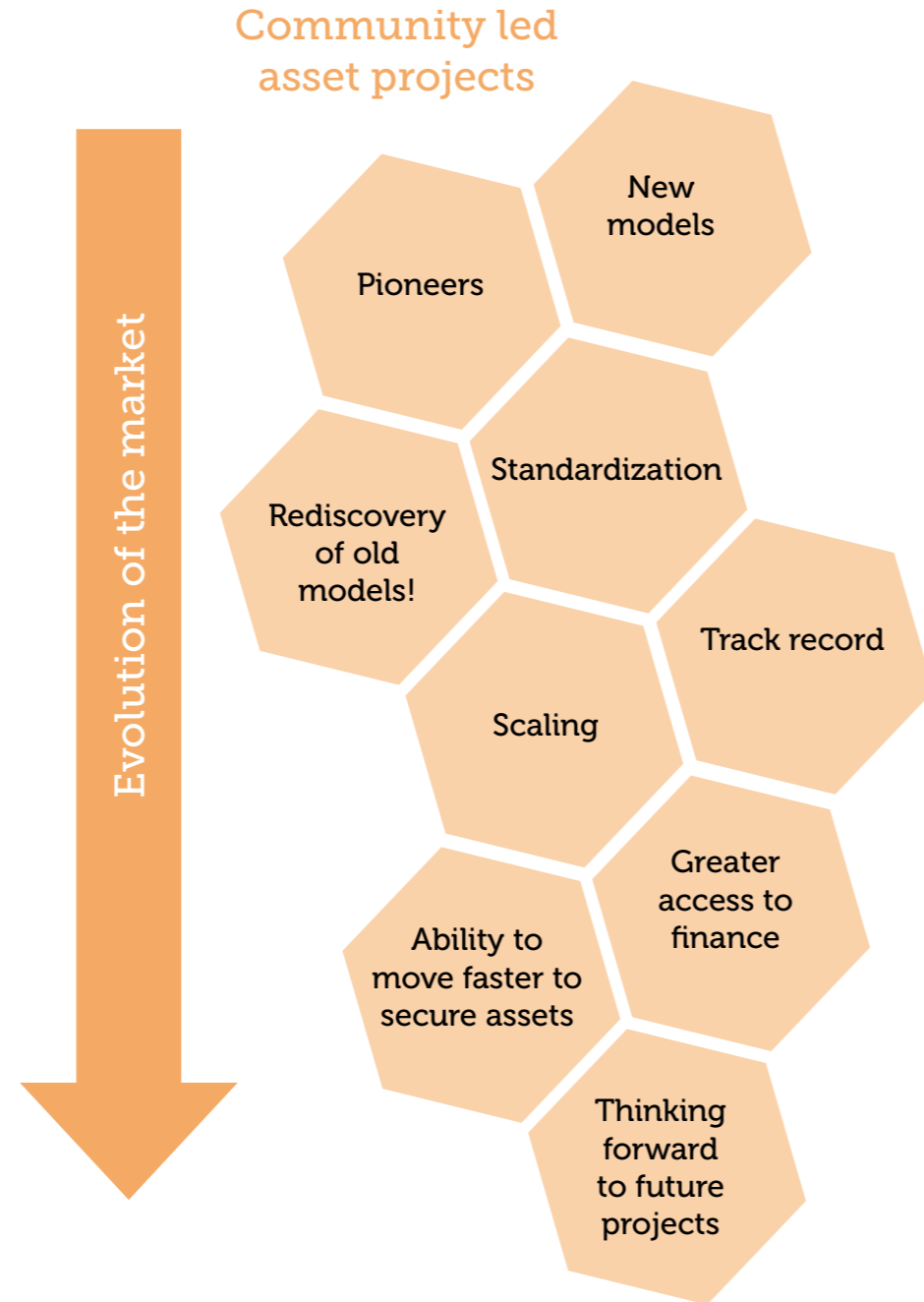


Source: CLT Network. Data available as of Nov 2014.

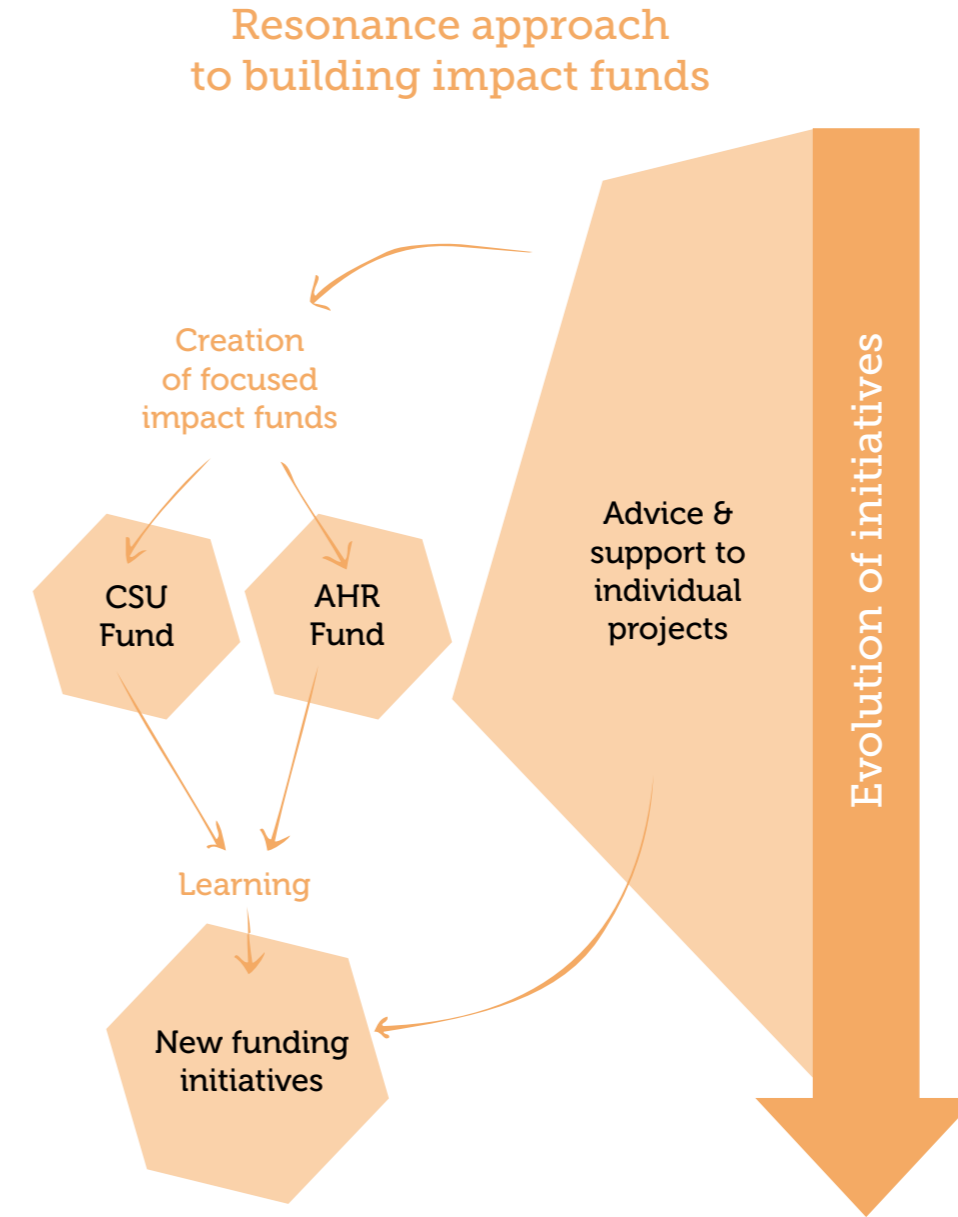
Note – Total value of projects assumes average cost per home of £100K.

9. Next steps

The market for community-led asset projects continues to grow across the UK, driven by continued need for local solutions and the hard work of energetic and creative local communities. Over time it is also leading to greater sharing of knowledge and inspiration between disparate community groups, and identifying new needs and potential solutions.



← Now →



Resonance has for many years now been committed to helping local communities finance solutions to social issues. We've done this both as an advisor to community groups and, more recently, through the creation of these two focused impact funds. In due course we expect new funding initiatives to be built from this experience.

Appendices

APPENDIX 1 – Community groups we have supported so far

	Community Group	Project	Fund	Status	Total project	Approved for investment
1	Cornwall CLT - project 1	Community owned affordable housing - refinancing	AHR	Loan finance taken	£200,000	£200,000
2	Holsworthy CPT - project 1	Community owned affordable housing - refinancing	AHR	Loan finance taken	£100,000	£100,000
3	Somerset CLT - project 1	Community owned affordable housing & workspace - purchase	CSU	Loan offered, however, price could not be agreed by community group with vendor	£720,000	£90,000
4	Rural Foundations CIC	Community owned affordable housing - refinancing	AHR	Loan offered, however, planning technicality could not be agreed	£80,000	£80,000
5	Sheffield Renewables CBS	Community owned hydro electricity project	CSU	Underwriting offered, however, project did not proceed due to unviable installation tender	£800,000	£200,000
6	Ecodynamic CBS	Community owned wind turbine project	CSU	Underwriting taken and drawdown, matched by community share funding	£350,000	£80,000
7	Homes For Wells CBS	Community owned affordable housing - conversion	AHR	Loan finance taken	£1,370,000	£400,000
8	Stockwood CBS	Community owned business park and farm	CSU	Underwriting taken and drawdown, matched by community share funding	£2,800,000	£200,000
9	Cornwall CLT - project 2	Community owned affordable housing - refinancing	AHR	Loan offered, however, project was financed through grant funding	£370,000	£370,000
10	Holsworthy CPT - project 2	Community owned affordable housing - development	AHR	Loan offered, however, planning was declined	£190,000	£190,000
11	John Cleveland CBS	Community owned renewable boilers for local college	CSU	Underwriting taken, leading to fully subscribed share issue	£640,000	£50,000
12	Middlesbrough CLT	Community owned affordable housing - empty homes conversion	AHR	Loan offered, however, project was financed through grant funding	£360,000	£200,000

Note: the figures shown are approximate (nearest £10k)

	Community Group	Project	Fund	Status	Total project	Approved for investment
13	Cornwall CLT - project 3	Community owned affordable housing - development	AHR	Loan offered, however, project did not receive grant funding required	£140,000	£100,000
14	Cornwall CLT - project 4	Community owned affordable housing - purchase	AHR	Loan offered, however, price could not be agreed by community group with vendor	£80,000	£60,000
15	Osney Lock CBS	Community owned hydro electricity project	CSU	Underwriting taken and undergoing drawdown, matched by community share funding	£670,000	£150,000
16	Holsworthy CPT - project 3	Community owned affordable housing - development	AHR	Loan offer accepted and undergoing drawdown	£190,000	£190,000
17	Somerset CLT - project 2	Community owned affordable housing & workspace - conversion	CSU	Underwriting taken and undergoing drawdown, matched by community share funding	£410,000	£130,000
18	Low Carbon Gordano CBS	Community owned solar farm	CSU	Underwriting taken, leading to fully subscribed share issue	£2,100,000	£600,000
19	Bristol CLT	Community owned affordable housing - conversion / new build	AHR	Loan offer accepted and fulfilling conditions precedent to drawdown	£1,800,000	£1,200,000
20	Broadhempston CLT	Community owned affordable housing - self build	AHR	Loan offer accepted and undergoing drawdown	£880,000	£880,000
21	Bath & West Community Energy	Community owned solar farm	CSU	Underwriting taken to support ongoing share offer	£2,600,000	£600,000
22	Low Carbon Hub CBS	Community owned solar project partnering with local schools	CSU	Underwriting taken to support ongoing share offer	£1,500,000	£600,000
23	Wiltshire Wildlife Trust	Community owned solar farm	CSU	Underwriting taken to support ongoing share offer	£6,100,000	£600,000
TOTAL					£24,450,000	£7,270,000

APPENDIX 2 – Data collected from our investees

Introduction

This appendix sets out detailed data collected from individual projects on impact under the relevant headings. It only includes data from investees which had drawn investment at the time of reporting (see footnote). In many cases the projects are at a relatively early stage and it will therefore be the work of future impact reports for the funds to monitor and compare social impact over a longer period of time and across a larger sample.

Stockwood Community Benefit Society (SCBS)

Interest Only Loan in respect of a community owned business park and bio-dynamic farm in Redditch, Worcester

£200,000

Immediate outcome: a leading organic farm and its associated business park are placed into community ownership that a) protects the farm as a community asset for high quality food, wildlife stewardship and learning, and b) fosters social impacts on a business park with 20+ local firms creating 100+ jobs and £12m in the local economy.

A community share offer helped the local community to acquire a privately-owned rural business park and farm for £2.8m in 2014. Rush Farm and Stockwood Business Park, in the heart of Worcestershire, are now held in trust by SCBS who secured £2.2m of debt for the acquisition and launched a campaign for the additional £600k, of which £400k was eventually raised. The equity was supported by an underwriting offer of £200k from the CSU Fund, managed by Resonance.

1. Unlocking Retail Investors Confidence

- Total investor capital & number of investors at beginning of period
 - » None – new venture.
- Increase in investor capital & number of investors in the period
 - » £400k equity raised in shares.
 - » 148 individuals.
- Decrease in investor capital & number of investors in the period
 - » None – has remained stable.
- Total investor capital & number of investors at end of period
 - » £400k equity raised in shares.
 - » 148 individuals.

2. Catalysing Momentum for Community Benefit

- % of investors from local community
 - » 38%.
- Number of volunteers involved from local community
 - » 5-10 (board; events volunteers).
- Additional community engagement
 - » Local MP & Parish councillors are now members. Local authority asks SCBS to consider a local pub; local degree student working to engage communities.

3. Ambition of Communities Enhanced

- Number and size of potential “follow on” projects
 - » 5 projects across: trade & public events; education; green infrastructure.
- Increase in probability of achieving this
 - » 100% - it would not be happening otherwise.

4. Community Transformation

- Amount of surplus donated to community projects and description of projects
 - » Too early to have generated surplus yet.

Note – Data relates to May 2012 to Dec 2014 (excludes Osney Lock and Somerset CLT as these projects drew down their loans in November and December 2014 respectively, so there was insufficient time to gather impact data for the purpose of this report).

Ecodynamic CBS

Interest Only Loan in respect of a community owned 55kW wind turbine scheme in Redruth, Cornwall

£75,000

Immediate outcome: A 55kW turbine is built that generates green energy, carbon savings and income to be redistributed toward the support and enhancement of biodynamic farms, plus food initiatives for those on low incomes. Offers apprenticeships in biodynamic farming.

1. Unlocking Retail Investors Confidence

- Total investor capital & number of investors at beginning of period
 - » None.
- Increase in investor capital & number of investors in the period
 - » 51 individuals; £173k + £25k from charity. CSUF’s £75k matched by £75k from a land trust charity to achieve the target raise of £350k.
- Decrease in investor capital & number of investors in the period
 - » None.
- Total investor capital & number of investors at end of period
 - » As above.

2. Catalysing Momentum for Community Benefit

- % of investors from local community
 - » Estimated 30%.
- Number of volunteers involved from local community
 - » TBA as projects come on stream.
- Additional community engagement
 - » As above.

NB: Next share offer being planned at £50-100k. Not all investors are from the locality, but from a ‘community of interest’ around biodiversity and farming.

3. Ambition of Communities Enhanced

- Number of volunteers in the organization
 - » Board members only.

Ecodynamic supports organic, community-owned and particularly biodynamic farms by sharing income generated from renewable energy with projects including getting food to low income families. Ecodynamic has no volunteering programme of its own, but the farms it supports do, such as a cooperatively owned farm in Sussex with over 8,000 members.

4. Community Transformation

- Amount of surplus donated towards community projects and description of projects
 - » Anticipated at £45-55k per annum. It is still early stages.

Homes For Wells

This group has drawn down a £250k AHRF loan on a scheme for 11 rental units from 1 to 3 beds in Wells next the Sea, Norfolk, where the key issue is second home ownership pushing house prices out of reach of local residents. The units are in the refurbishment stage of renovation and conversion of an historic, grade 2 listed school building most recently used as offices. As such, this Social Impact Report comes during the construction / refurbishment phase and the ultimate social impact will be evidenced in 2015's report. Full occupation is expected in January 2015.

Community Leadership

10 board members are actively involved, tackling a huge amount of work in sorting out financing and grants. In Summer 2014, the selection process reached the stage of knowing what's available and shortlisting tenants. Good community involvement thus far has meant high demand for the units once finished. Successful community engagement in the early stages raised not only a lot of awareness but also many local investors who put money into the scheme both as smaller and substantial amounts and these have been largely content to watch progress from a distance. Strong and welcome support from North Norfolk District Council both financially and in dealings with the HCA is noted, and demonstrates the CLT's wider leadership impact in the CLT concept itself.

Community Stability

The project's 11 homes are designed for 11 households 7 of which include children. These are households who have strong connections to the area including working and schooling locally, but who otherwise would find themselves unable to remain locally.

Affordability

Units are set to be charged at 80% of Open Market Rents (OMR). This level is suitable financially for anyone who is working and is within the Local Housing Allowance.

Additionality

The building under conversion was originally a school, then offices. Therefore the project accounts for 11 additional homes in Wells.

Security of Tenure

Homes for Wells already operates 3 homes for rent, elsewhere. Experience here suggests that tenancies are unlikely to terminate other than in exceptional circumstances.

Cornwall CLT

Cornwall Community Land Trust (CCLT) is an 'umbrella' organization for the county of Cornwall. It received AHRF loans totalling c£200k in 2013 to support the refinancing of two shared equity properties into affordable rental, in order to house two local families who were unable to secure a mortgage. The detail is available in the 2013 social impact report. The impact of housing families that otherwise could not afford to live and work in the village, has remained positive.

Community Leadership

As 2013. CCLT continues to plan further developments locally, and its leadership is evident in the engagement of local authority, other CLTs and developers.

Community Stability

As reported in 2013, Blunts is within a very small Parish in East Cornwall, comprising a number of small hamlets and one village. It shares similar local dynamics to Torridge (where HCPT operates), namely, low levels of income coupled with an expensive property market. Through this scheme, CCLT has created the opportunity for eight families to remain in the area in which they were brought up and now work. This will allow them to bring up their young families in the area, who will attend the local school in the future and will grow up surrounded by their wider family in the community.

Affordability

The average rental levels for the properties are below the local housing allowance for the area. Rents equate to around 80% of the market rental levels for properties in the area and rent as a proportion of tenant income ranges from 25% to 30%.

Additionality

None via AHRF in 2014, but c20 homes delivered by CCLT on an affordable sale basis.

Security of Tenure

The security of tenure remains unchanged from last year. CCLT continues to be committed to the provision of stable, affordable housing and carefully selects eligible families in line with its allocation policy. In addition, there is also an ambition that the families concerned could eventually acquire the property, on a shared ownership basis further enhancing security of tenure for the family. The terms of the loan from the Fund allow for early repayment to achieve this outcome.

Holsworthy CPT

Holsworthy Community Property Trust (HCPT) in Devon received AHRF support in 2013 for the refinancing of a shared equity property into an affordable rental property, in order to house a local family who were unable to secure a mortgage to purchase the property. The detail is available in the 2013 social impact report. As such, little has changed in 12 months, and the impact locally of housing a family that otherwise could not afford to live and work in the town, connected to other family members, has remained positive.

Community Leadership

As 2013. HCPT continues to plan further developments locally, such as 2 further homes for shared equity and its leadership is evident in this momentum and in the engagement of local landowners and developers.

Community Stability

As reported in 2013, Torridge is a rural area in which smaller communities can struggle to retain a balance of housing tenures and prices. HCPT's scheme is beginning to contribute to reversing this trend and has created a more cohesive community. The majority of tenants and shared owners are employed locally and, those with a young family, contribute to sustaining the local school.

Affordability

The greatest impact in this sphere is the availability of homes to rent at all. Rents are broadly in line with local Open Market Rents (OMR) rather than 'social rent' but this is below the Local Housing Allowance (LHA). This is in order to allow the scheme financial model to work. The rent is deemed affordable in the local context of a working family. Rent rises have been implemented at RPI as per the financial model supported by AHRF and the key message is to understand the rent level as 'intermediate' rather than 'social' rent.

Additionality

None in 2014.

Security of Tenure

HCPT has a strong commitment to providing secure, affordable housing to eligible tenants and there has been little movement in the resident group over the last few years, demonstrating that residents are treating these properties as a home in which they want to live for the long term. There remains an opportunity to become a shared owner once the family can access a mortgage which had been the original intention.

Broadhempston CLT

Broadhempston is a self-build CLT scheme, to create 6 family homes.

Community Leadership

6 families set to create 6 homes have worked hard together over 2.5 years with only one family changing over in that time. With the current Chair the group has identified the balance of skills and interests each member brings, the democratic decision making process and significant skills and knowledge in the finance and delivery of residential construction has been developed.

Community Stability

The project's homes are designed for 6 families including children. These are households who have strong connections to the area including working and schooling, but who otherwise would find themselves unable to remain locally. The scheme will bring at least 6 children to a current school roll of 60; important for smaller rural schools, and the local community shop supported by residents will see more custom from the completed scheme.

Affordability

An ongoing challenge as build costs continue to experience upward pressure is keeping the scheme not only well within 80% of local Open Market Value (OMV) for rent and sales, but affordable to the self-build families themselves. Monthly payments will also allow self-builders to buy more equity in their home over the coming years and the self-builders will begin with a 25% equity stake as 'sweat equity'.

Additionality

The scheme will add 6 newly built homes.

Security of Tenure

Participant engagement so far, and the equity stake it includes, suggests livelihood of stable tenures to come.

AHR data points

Data Points	Homes For Wells	Holsworthy CPT	Cornwall CLT	Broadhempston CLT
Number of affordable housing units	11	1	2	6
Number of individuals housed	11+	2	4	12+
Rent as percentage of household income	25%	30%	30%	25%
Rent as percentage of local market equivalent	80%	95%	80%	80%
Total assets of CLT	£2m*	£560k	£200k	£1m*
Number of people actively involved in CLT	10	6	9	18
Percentage increase in local school roll from tenants' children	n/a	n/a	n/a	10%*
Employment of tenants in local businesses	Yes	Yes	Yes	Yes
Average length of tenancy	Under construction	23 months	16 months	Under construction

*estimate

Data for number of individuals housed and average length of tenancy as at Nov 2014.
All other data as at June 2014.

APPENDIX 3 - How do community share issues work in practice?

How do they start?

Community Share Offers typically start with three or four people getting round a kitchen or pub table and asking some simple questions: "Why couldn't we do that here?" or "Why don't we do it ourselves instead of campaigning for the local authority to do it?". These pioneers typically have some professional skills or experience and at least one has some 'spare' time.

Building the case

Most then seek the advice of a support consultant or other community group and together they build a case, securing options on sites, planning permission, developing financial models and preparing share offer documentation. Along the way a few friends join in with support, money or time.

Does anyone else care?

By the time the share offer goes live and the publicity starts there is often a small momentum building, but the share offer document is the start of trying to further engage people to join the journey. This typically mobilizes 50+ investors and the project can get underway.

It's working!

Once this has been realized, investors and other community stakeholders (the school, the library, the town council) start to collaborate with the new force that has emerged. Gradually new projects are taken on within the same structure or through sister organizations: the pub, the post office, a piece of land for workspace, affordable housing or allotments, a wind turbine, even some vehicles for a car club or community transport project. Each project is carefully chosen by the community group to be both economically viable and of additional value to the community. Each attracts more investors and generates some surpluses.

The Legacy

Eventually the community has created a vehicle that has hundreds of members earning money and participating in improving their town or village, whilst building up reserves which can be used to support new schemes or act as a dowry for keeping the playground in good order, providing funds for families facing redundancy or sponsoring community events.

The recent interest in community share issues reflects an environment in which, on the one hand, the need to preserve assets and services at a community level has never been greater whereas, on the other hand, the availability of traditional financing sources (particularly bank finance) has diminished. Community share issues offer a powerful tool for local communities to supplement, or even bypass, traditional financing sources which may not be serving their purposes. Whilst it is not necessarily the case that Community Share Offer activity will correlate with the most deprived economic areas in the country, in each case there has been the identification of a local need that can be addressed, or benefit created, by local people themselves who are also actively involved in its delivery and financing. This is therefore a powerful model for positive local action across the country.

The success of pioneering community groups such as Mustard Seed Property, Fordhall Farm and others, has encouraged others to raise their ambitions for raising finance in this way. Government has also backed the development of the sector through the formation of a Community Shares Unit. Specialist advisors are beginning to emerge who can help shortcut the learning for community groups with expertise in types of assets, approaches and geography. However, the sector remains at an early stage of development and the next few years will be critical to establishing a mature and healthy market for this source of community financing.

APPENDIX 4 - Background on affordable housing

Community Land Trust (CLTs) are commonly used vehicles for communities undertaking affordable housing projects. Given the severe shortage of affordable homes for rent throughout many areas of the UK, there has been a surge of members of the community coming together to tackle this problem themselves for the good of their community. As a result, CLTs are being established across the UK.

The AHR Fund offers a loan product to CLTs and other community led organizations, which struggle to access appropriate finance from traditional lenders, thereby allowing them to establish financially viable projects. The Fund can offer both development finance to fund construction of a project, and a 7-8 year rental mortgage to finance rental homes once the project is built.

This allows the borrower to build a track record of operations and debt repayment, allowing it to refinance at the end of the loan term with a traditional mortgage lender. Due to the structure of its loan product the Fund is able in many cases to provide up to 100% of the development finance required, dramatically simplifying the financing challenge for CLTs.

APPENDIX 5 - Some further lessons learned

AHRF

Where the Fund deals with the shortcomings of schemes, in many cases the outcome is socially impactful whether the scheme is eventually funded by the AHRF or not.

Around 20+ Community Land Trusts (CLT's) are in dialogue with Resonance's Ventures Team, representing up to £16m in discussion.

We hope to continue to demonstrate a persistent commitment to seeing CLT's succeed.

Ad hoc investment readiness

Resonance, through its Ventures Team, and a number of other organizations, provide formal advice on investment readiness to social enterprises (including some CLTs) around the country. However, informal and ad hoc investment readiness work by the Resonance team helps CLTs address four key areas of confidence:

- land acquisition
- planning permissions
- cost appraisals
- other funding sources

Often, a CLT enters dialogue with the AHRF before the other elements are in place. On occasions, some organizations that engage with the Resonance team and receive support, are up-skilled by going through the discipline of the application process. Voluntary organizations are effectively upskilled by this in a way that would be less likely to result from contact with mainstream providers.

It does, however, mean that the process of deploying AHRF's funds cannot be rushed whilst boosting confidence in our investees by the time we – or match funders – make an offer.

Securing finance

In addition to ad hoc support, the Fund helps to overcome the challenge of securing mainstream finance by issuing comfort letters for sharing with other risk capital providers and advancing up to 100% of both the development finance and longer-term mortgage finance during the initial rental period. This results in the borrower building a track record in order to refinance with a more traditional lender in the future - the original impetus for the creation of the Fund.

Ability to lend

The Fund model itself triangulates around three points: i) amount to be borrowed, ii) length of loan and iii) interest rate.

Since the Fund lifetime is currently fixed to 2022, the length of loan it can make to community groups is gradually shortening, and the amount which can be lent (as a multiple of rents of the projects) is also therefore declining.

On the other hand, the Fund offers a fixed interest rate which should be increasingly useful for financial planning by community groups in an uncertain (and likely rising) interest rate environment.

Additional threats to project viability have arisen as the cost to build continues to rise whilst a CLT's rental income follows locally agreed (or dictated) affordability criteria and is key to a CLT's mission, so has little room to grow.

CLTs have previously used grant subsidies to fill this gap, but this is becoming harder to get, in the current climate.

CLTs increasingly need to create internal cross-subsidy from sales of open market units. The AHRF is structured to permit this as a form of refinance from the construction phase to the holding phase. Making this cultural shift does however, often require some external support.

Multiple funders

Schemes with several funding sources have disproportionately failed to reach completion with AHRF. Often a series of grants or gifts from varying sources makes the scheme vulnerable to any one of the inputs falling away – at times because they are in conflict with another funder or with the CLTs emerging requirements.

By funding whole schemes adequately and/or working in lock step with another finance partner, the AHRF could be in a good position to address this issue.

Housing Association acts as developer and community steward

In this model, local CLTs effectively hand over projects to local Housing Associations. The CLT's role is limited to that of project instigator and, therefore, the social impact of such projects is limited compared to a CLT with its own assets that can act as a catalyst for future projects.

The CLT itself has no financing needs arising from these projects and the Fund has lost some applications to this approach. Whilst the goal of building affordable homes is still achieved often in great numbers and more efficiently, the autonomy and legacy of controlling and owning an asset is sacrificed. On the other hand, some groups have been offered housing association support but have positively chosen to borrow from AHRF in order to remain financially independent.

CSUF

Issuing a Community Share Offer is no small undertaking for a voluntary, community group – especially if this is their first. Some make contact with the CSUF perhaps hoping that the process will be simpler than the banks who have turned them away. However as with any loan, the rigorous checks made by CSUF on the business model can sometimes send early stage groups back to the drawing board. This in itself is a further example of ad hoc support provided through the fund.

CSUF payments are interest only during the period the loan is held, which aids project cashflows. The headline interest rate is set at 7% or 2% above member (shareholder) payments, to encourage fairly rapid refinancing with the issuance of more community shares. This may therefore appear more expensive than some projects may have hoped for, but is often cheaper to the project in cashflow terms than a bank loan which needs to see capital repaid in every year.

Other recent feedback has suggested that as a result of how the CSUF counts local members' active engagement as a priority in its social impact matrix, borrowers are looking harder to engage investor members themselves, eg. as volunteers on projects, as they have sometimes not seen beyond the investment itself as an investors limit to engaging with the project.

The fund's social impact matrix prioritizes local participation as a way of demonstrating community benefit. Some borrowers have been more successful than others in achieving this and have additionally celebrated their geographic reach of investors. This in itself is encouraging a proliferation of similar solutions into other locations.

Other lessons which remain to be learned include how surpluses generated from project incomes (once trading) are used for community benefit. Green energy projects typically feature such funds but in most cases a) have not traded long enough to generate surpluses yet, and sometimes b) place these funds below shareholder / member interest payments in the order of priority. The CSUF has been able to insist as a loan

condition that this prioritization is annually debated at the AGM so that if project cashflows fall below projected levels, the members are prepared to consider a lower payment to themselves in order to meet the community fund targets.

As a general observation, Community Share Offers are proliferating, especially in green energy, which in itself offers a fairly consistent business model for prospective members to engage with. 'Rescuing' land and buildings for community benefit also appears to be well understood at the retail level, but without the government subsidies enjoyed by green energy projects (eg feed in tariffs) these projects often find it more difficult to make competitive offers in terms of member returns alone.

Community Land & Finance's social impact matrices are powerful potential indicators which both influence and increasingly direct investors into community projects. Currently these indicators are used by the Investment Committee and yet the potential may exist to work with retail platforms to include such a social impact score prominently in their messaging.

Resonance has also worked with investors to produce a more detailed version of its social impact grading matrix which incorporates both "ex-ante" measures (by which projects are assessed by the investment committee) and "ex-post" measures (by which projects can be measured after completion). These measures will be collected and reported on for the next annual Social Impact Report.

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