

Community Land & Finance CIC

Social Impact Report
Year five (2016-2017)



Growing local solutions
Building resilient communities
Supporting community ambitions





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Welcome

This is the fifth annual social impact report for Resonance's community asset funds, operated through our community-lending arm Community Land & Finance CIC.

As a taster for what you are about to read, this word cloud summarises the entire content of our Social Impact Report. The principle is simple: the bigger the word, the higher the frequency in the text... and what you see is what Resonance's community asset funds are all about.



"We could not have done it without Resonance; they were an incredible resource – as visionary as we were with expertise to match."

Sebastian Parsons
Founder, Stockwood CBS

Summary

Through our community asset funds, our investors entrust us with £8.25m. We, in turn, entrust sum through investment to communities across the UK to help them achieve the social impact they want through profitable projects. Entrustment is where it starts: communities are the agents of change; the impact is their impact; we are their impact supporters and financial partners; we always try to remember that.

Currently, we have two community lending funds: the Community Share Underwriting Fund (CSUF); and the Affordable Homes Rental Fund (AHRF). Both are fundamentally about the imaginative use of investment to help communities achieve their ambitions.

- CSUF fixes the problem of community-funded projects needing to build confidence and momentum as they pursue community share offers to finance their work. During this year the fund successfully deployed its final investment.
- AHRF wrestles with the housing crisis by lending to community groups which have a solution that helps families find homes affordable now and for future generations. They cannot yet borrow money from banks, because they are too new or need more flexible lending. We will keep investing through this fund in community organisations to create more impact in the next year.

Equipped with five years of data, we are now more confident about the social impact that community lending creates over time and are looking at designing the next generation of funds to support communities in their pursuit of social impact. This year, our investees are flourishing:

more than half of the organisations we have invested in through CSUF have launched subsequent community share offers to fund their ongoing operations and future projects, and all of the homes built or converted through AHRF are now tenanted.

The total value of **underwritten CSUF projects has reached £30m**, with a **multiple on our underwriting of over 3.2 times** in terms of community shares raised, **and around 5.9 times in terms of total project investment**. The total value of projects invested in across both funds reached £23m, and the **16 projects invested in have led to a further 56 projects developed, or in development**, by those community groups. We also see a deeper community engagement, with community groups recruiting more members and getting new, larger and more ambitious schemes across the board. And finally, consistent with the long term aims of these impact funds, some of them have built enough experience and a solid track record to seek funding with mainstream lenders for their future projects.

Naturally, our community lending is not the only game in town and it is a privilege to be part of a movement that in 2015 and 2016 produced more than 160 share offers seeking to raise £83m; and where about 800 affordable homes have been completed already, 4,000 to 5,000 are in prospect, and 17,000 members are involved in Community Land Trusts. It is a movement we feel part of on the finance side of the equation as well: in December 2016, for example, the government unveiled a £60 million annual Community Housing Fund. It will go directly to local authorities who will work with community groups to support affordable housing in their

locality. When the numbers get that big, we know other organisations are taking community financing seriously. We're in good company.

We think our funds have some special features that make them stand out: most importantly, they start and finish with impact and fit the money to that, not the other way around. That means working with the right kind of money, from enlightened investors who believe in communities in the same way we do: giving them a chance to do things for themselves by providing investment with the patience and the pricing to create the space to succeed.

Some of the highlights from our fifth year of running these funds are shown here, along with the long-term view. Community development and social impact are cumulative, and so are the numbers we present.



Community Share Underwriting Fund (CSUF)



TOTAL VALUE OF UNDERWRITTEN PROJECTS



TOTAL VALUE OF SHARE OFFERS UNDERWRITTEN



TOTAL UNDERWRITING OFFERED BY RESONANCE



PROJECTS UNDERWRITTEN



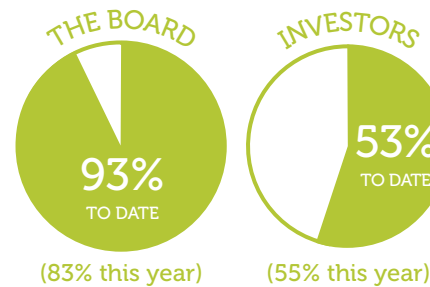
14
TO DATE¹
(1 this year)



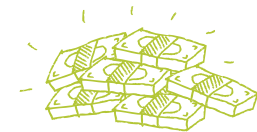
WHO ARE THE INVESTORS/THE BOARD



Average number of local² investors per project



PROPORTION FROM THE LOCAL COMMUNITY



AMOUNT RAISED FROM LOCAL INVESTORS



£7.6m
TO DATE
(£0.7m this year)

Over the five years, our underwriting offer unlocked 3.2 (4.0 this year) times as much in community share funding

¹ This includes 5 projects we underwrote without providing a loan as it was not required, therefore a total of 9 projects were underwritten and invested in.

² We define local investors as those from the neighbouring postcodes to the project, or from within the county where the project is located.

³ When we try to measure additionality and ambition, we ask communities how many new projects they have created since the one(s) we backed with underwriting. It is a marker of the growth of community solutions.



ADDITIONAL PROJECTS CREATED³



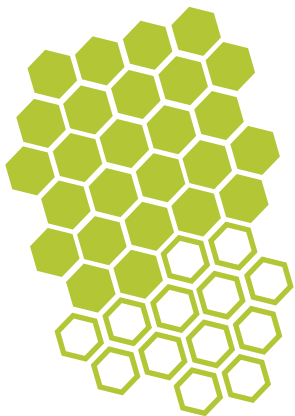
VALUE OF ADDITIONAL PROJECTS



PROJECT SURPLUS ALLOCATED TO COMMUNITY BENEFIT

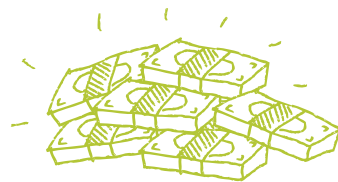


INVESTEES LAUNCHING FURTHER COMMUNITY SHARE OFFERS



39

TO DATE
(13 this year)



£18.9m

TO DATE
(£3.3m this year)



34%
TO DATE

(35% this year)



5 underwritten and not invested in

9 underwritten & invested in

6 out of 9 launching further community share offers

6

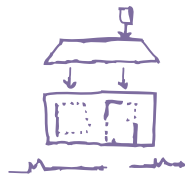
TO DATE
(out of 9 which were invested in)

.....and 5.9 (7.4 this year) times as much in total project investment.

Affordable Homes Rental Fund (AHRF)



TOTAL INVESTMENT FROM RESONANCE



NUMBER OF PROJECTS SUPPORTED



AVERAGE RENT LEVELS AS A PROPORTION OF LOCAL MARKET RENTS



AVERAGE ENERGY PERFORMANCE RATING OF HOMES



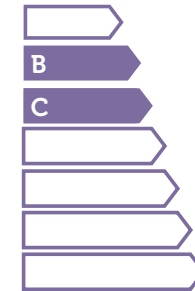
£2.7m
TO DATE
(£50,000 this year)



7
TO DATE
(1 this year⁴)



(80% this year)



TO DATE
(B/C this year)

⁴ This is an additional lending to one of our existing investees.

⁵ This year, we have asked our investees to record cumulative numbers for the number of people supported and the number of people involved. This means we have sometimes amended historical data to reflect the cumulative nature of this information.



NUMBER OF
PEOPLE SUPPORTED⁵

74
ADULTS
HOUSED
TO DATE
(14 this year)

50
CHILDREN
HOUSED
TO DATE
(11 this year)

↓
41
ADDED
TO LOCAL
SCHOOL ROLL
TO DATE
(9 this year)



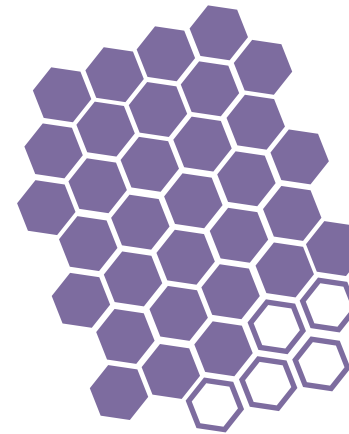
LENGTH OF TENANCY
AND OCCUPATION

25 MONTHS
Average length
of occupation

6-60 MONTHS
Initial length of
tenancy offered



NUMBER OF
HOMES DELIVERED



37
TO DATE
(5 this year)



PEOPLE FROM THE
COMMUNITY INVOLVED




197
TO DATE
(12 this year)

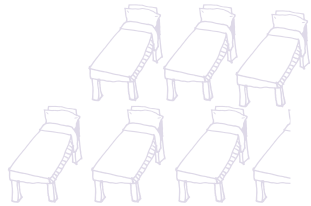
Achievements over the last 5 years

This year, we have also asked the communities about their overall achievement over the recent years, and how our investment has helped them along the way.

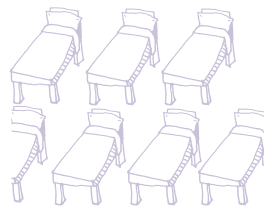
Their progress is outstanding, and we are proud to have helped those organisations build their track record and expertise.

405 BED SPACES MADE AVAILABLE (including projects funded by Resonance)

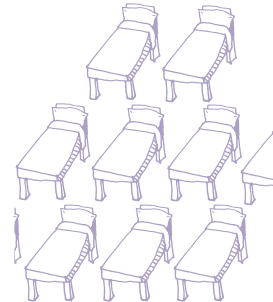
 = 10 Bed spaces



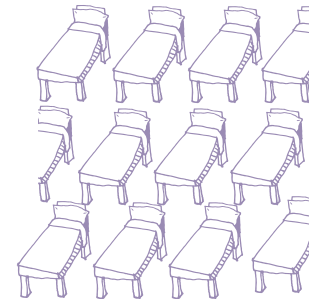
66 BED SPACES
As at Mar 2013
(66 New bed spaces)



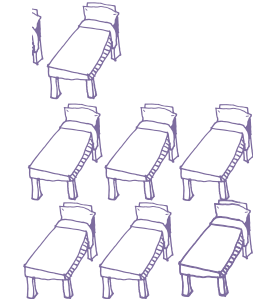
129 BED SPACES
As at Mar 2014
(64 New bed spaces)



221 BED SPACES
As at Mar 2015
(92 New bed spaces)



335 BED SPACES
As at Mar 2016
(113 New bed spaces)



405 BED SPACES
As at Mar 2017
(70 New bed spaces)

187 NEW HOMES DELIVERED



23 NEW PROJECTS PLANNED, INITIATED OR COMPLETED SINCE THE START OF OUR SUPPORT (excluding projects funded by Resonance)



These numbers are significant, but they would not be complete without the stories that go with them. The money is really only a measure of the impact of the funds. Finance and impact are designed to be aligned: for us, this is what makes a social investment fund. Plus, we are now observing a deeper community engagement, and the organisations we have supported are flourishing and setting up new projects, often at a larger scale.

An example can help illustrate the human scale of all of this:

Bristol Community Land Trust is developing affordable housing and community assets around Bristol. Their first scheme, Fishponds Road, consisted of 6 new build houses and 6 flats in a converted school. Their uniqueness? Residents took part in the "Self Finish" of their homes, meaning they participated in the end of the building process. This contribution was converted into so-called "sweat equity" and reductions in rent. Not only does this create a greater sense of involvement and community, as well as reducing isolation, it also means those homes are really affordable. The homes also have solar panels, meaning residents save on electricity bills while reducing their carbon footprint, and they also manage their shared garden together. The scheme is now home to both individual households and families, a total of 18 adults, all employed locally, and 12 children, all enrolled in local schools. The residents are happy and feel a sense of belonging.


Overall, more than 70 people are involved in the Fishponds Road scheme. They are volunteers, members of staff and tenants who play an active part in the community they belong to.

Prior to the funding from the Affordable Homes Rental Fund, Bristol CLT had not been able to complete any housing scheme. With the fund's support in the form of a £1.2m investment into their scheme, they successfully completed the building of the homes, have attracted media attention and increased their reputation, becoming an exemplar for other community groups. Improved credibility and visibility, along with the experience accumulated over the years, are now enabling them to forge new partnerships. Indeed, during the current year, Bristol CLT has been working hard on the development of a second, more ambitious scheme. This project is developed in association with United Communities, a community-based housing association managing over 1,800 homes in the wider Bristol area and Swindon.

The Shaldon Road scheme will provide 49 affordable homes, as well as two spaces for the benefit of the wider community: a workshop area for Self-Finish training, and a space for communal meals.

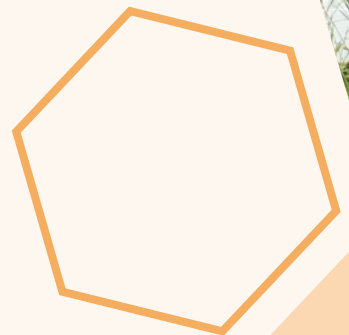
Bristol CLT's long-term intention is to build a more resilient community. Their purpose goes way beyond "housing". They create homes for people who need them, they create strong bonds in the local area, and a sustainable future for future generations, resting upon community-owned assets.

It is a pleasure to share the story of our community funds' impact with you. Please read on and get in touch if you would like to know more.



"It is nothing short
of life changing. My
sense of wellbeing has
completely changed,
for the better."

A resident at Fishponds,
Bristol CLT

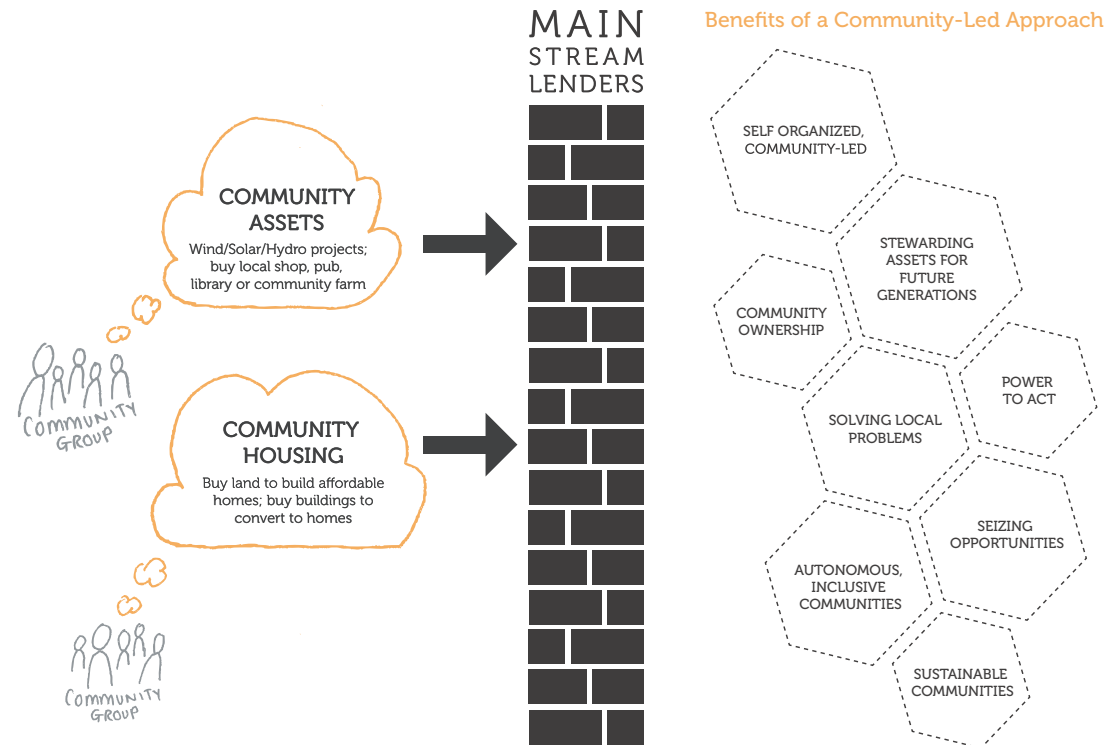


1. Introduction

The current decade is characterised by a renaissance of community-led social enterprise around the country. This has been partly driven by necessity, as local communities have decided to take solutions to local problems into their own hands, rather than wait for Government or markets to fix them. Whatever the reason, more and more communities are seizing year after year the opportunity to create projects, deliver much needed local services, strengthen community cohesion, share ownership of local assets, and democratically govern them for the long-term benefit of local people.

At Resonance, we are inspired every day through our conversations with communities across the UK:

- There is a problem in need of a solution
- The community which cares about it the most organises itself, works out how to fix it, and figures out the financial cost
- The search begins for the money to make it happen
- Mainstream finance often does a bad job of helping out
- The community looks at social investment
- They choose Resonance if our funds suit their needs⁶ for:
 - Affordable community housing
 - Community shares to buy assets they want to build or preserve for community benefit



⁶ We also finance social enterprises working in health and social care, criminal justice, education, culture, homelessness... and plenty else besides, but this report is about two particular funds.

Our Solution

Why did we focus on community housing and community shares for these first two funds? We listened to what people were asking for when they called us. Actually, this is how we build all of our funds; by listening to the demand for investment which comes from social enterprises across the country.

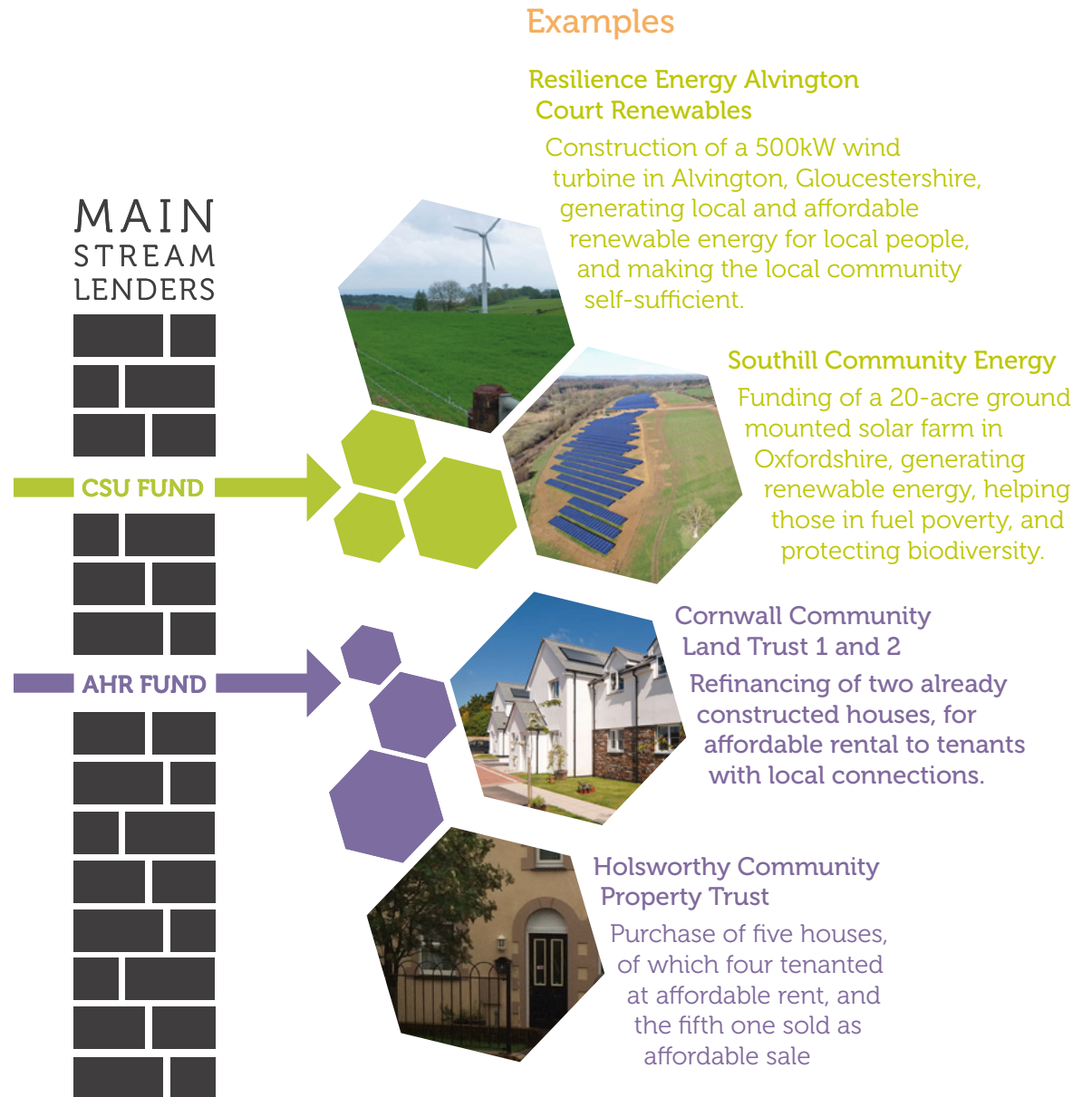
That is how our community-lending arm, Community Land & Finance CIC (CLF), was born. It works with communities to get their solutions off the ground, using two linked funds: flexible finance for affordable homes and cash to support community share issues. These funds enable communities to get their vision built and sometimes to re-engage with mainstream finance, when they have the proven track record that traditional lenders require.

Our job is to understand the unique factors which help community enterprises succeed and to assess those in order to make good lending decisions. We then lend in ways more tailored to their needs - encouraging communities to build assets which serve their need and a track record that will help them be more self-sustaining and resilient.

We can only do that with the right kind of money, so we work with some social investors who back these funds to get things done. They believe in communities in the same way we do: as agents of change who can make extraordinary things happen with investment at a sensible price, and with the right amount of patience.

Together, the combination of communities, investors, and Resonance, makes things happen and makes a difference.

This fifth Social Impact Report is the story of this journey in 2016-17, and over the past five years.



2. Community Share Underwriting Fund (CSUF)

The Community Share Underwriting Fund (CSUF) supports community groups who want to acquire or create assets funded through community share offers (where local people become not only customers of a service, but owners of it as well). It makes it possible for communities to make projects happen, to keep the ownership in the community, and thus to become less vulnerable to the decisions of distant, disconnected institutions. CSUF invested its remaining monies during the year and is now fully deployed. The community groups it has supported continue to develop and deliver impact.

CSUF fixes the problem of community-share-funded projects stalling because they cannot quite meet their investment-raising target. It helps at three points in the journey of raising finance: (i) before, (ii) during or (iii) after launching a share offer:

- Before – CSUF builds confidence in a share offer before it launches, by offering Resonance’s backing. The message to other investors is: *Resonance has confidence in this deal; it is going to happen; please come and join in.*
- During – CSUF adds momentum to an offer which is already underway; where the message is: *Resonance has helped us take a huge step towards our target, please come and add the vital last bit and make it happen.* CSUF can also help with bridging the gap that might open up at the end of a share offer that hasn’t quite reached its target.
- After – CSUF supports community groups in raising their ambition further. With CSUF’s final investment successfully deployed this year, we are now seeing our investees flourish and deepen their impact on local communities.

CONFIDENCE

CASE STUDY: Southhill Community Energy

ISSUE:

Southhill Community Energy was created to deliver a ground mounted community solar farm covering 20 acres of a 45-acre site. Having secured planning permission, SCE wanted to ensure there was sufficient confidence and momentum in the share offer to deliver a fully funded scheme.

HOW CSUF HELPED:

Resonance engaged with SCE before the share offer was launched to discuss underwriting the scheme. As the share offer progressed, CSUF provided an underwriting commitment and loan of £600,000. With the underwriting secured, community investment of over £1.8m was secured. With additional funding from Close Brothers, the solar farm was delivered by the end of 2016.

CONSIDER PROJECT



PLANNING A SHARE OFFER



SHARE OFFER OPEN



MOMENTUM & BRIDGING

CASE STUDY: Ecodynamic Community Benefit Society

ISSUE:

Ecodynamic CBS launched a share offer in January 2013, targeting to raise £350,000 for the financing of their Croft West wind turbine project, with a close scheduled in March of the same year. By mid-February, they had only achieved a quarter of the targeted amount. They needed more momentum to convince other investors to support their community project.

HOW CSUF HELPED:

Resonance assessed the potential of the project in terms of viability and social impact, as well as the strength of the team leading it. We agreed to underwrite Ecodynamic CBS with a £75,000 loan, adding confidence to the share offer.

AMBITION

CASE STUDY: Stockwood Community Benefit Society

ISSUE:

After completing a successful share offer in 2014 to purchase a community farm (with bank funding provided by CAF Bank and a loan from Resonance), Stockwood CBS was ready to develop its ambitious plans by acquiring adjacent land in 2017. For this, they required further funding.

HOW CSUF HELPED:

Stockwood CBS wanted to borrow additional monies from CAF Bank to purchase the land. As a junior lender to the community benefit society, Resonance was required to consent to the transaction. Stockwood CBS and Resonance had developed a good relationship with a strong understanding of the business and the social impact that they wish to deliver. By understanding their vision, Resonance was able to support and agree their expansion plans.

The overall impact is to help build sustainable and resilient communities that have the ambition and organisation to succeed.

Sometimes, just offering to back a share offer is enough to help generate success. In this case, even though we may not have always invested from our Fund, it means we have helped something happen and can use for another project the money that we would have invested. It means we catalyse more projects than the money we have got in the Fund. That is an impact success.

We always aim to help organisations to be stronger than at the time they engaged with us, no matter what the outcome. Very often the constructive due diligence process for the Fund strengthens the governance and management, financial model, social impact, business model, market, and other dimensions, as part of helping decide whether we could invest. So even when we decide not to, the organisation always responds by improving its strength, resilience and sustainability in the process.

SHARE OFFER
CLOSED



START
PROJECT



BUILD
TRACK
RECORD



EVENTUALLY
RE-FINANCE



More Detail

CONFIDENCE – Southill Community Energy

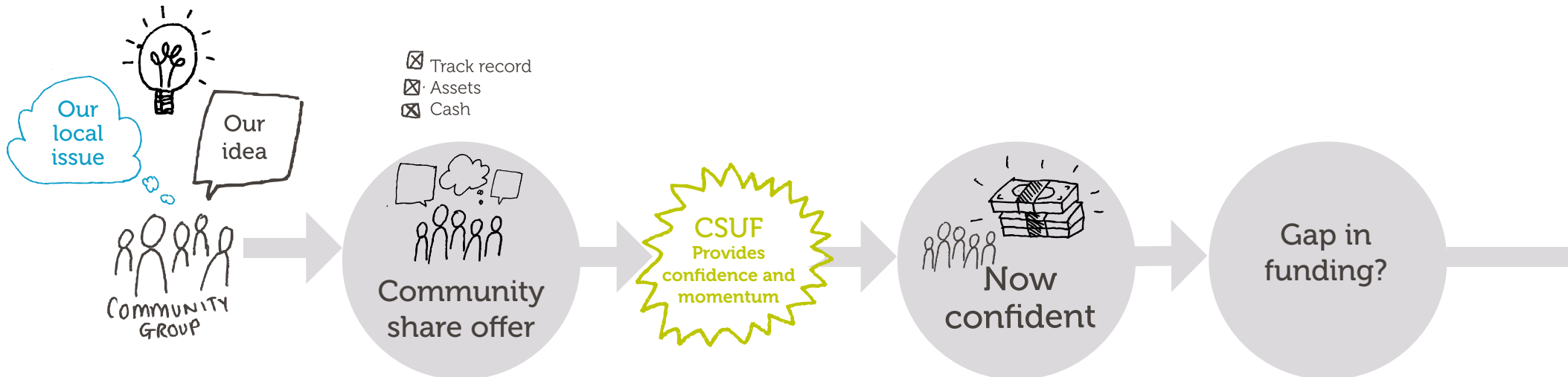
Southill Community Energy was set up as a community benefit society by Sustainable Charlbury, whose mission is to inspire, encourage and empower the community to reduce their carbon emissions by offering support and practical advice. To make a difference and bring this mission to life, they decided to set up a community solar farm. Having agreed terms for a 45-acre leasehold site, the next challenge was to secure planning permission. Despite an initial rejection, Sustainable Charlbury devised an innovative solution and utilised the power of the community to secure permission. This is covered on page 24.

SCE and Resonance were in discussions as the share offer was launched. £400,000 was raised initially. However, over £1.95m of community shares were sought in addition to the funding from Close Brothers. Resonance agreed to provide an underwriting commitment of £600,000 which provided further confidence to the community to invest in the scheme. The solar farm was successfully completed in 2016 and is now generating enough electricity to supply the equivalent of 1,100 homes in the local area. Furthermore, the solar arrays are set in a biodiverse site, an exemplar providing education to a variety of organisations with schools even travelling from France to learn about sustainable energy.

MOMENTUM - Ecodynamic CBS

With an experienced and capable team, working with reliable contractors and partners for the installation of the wind turbine, all that Ecodynamic CBS really needed at the time was a little extra confidence on funding, for more investors to put their money into the share offer. The loan from Resonance came in at the right time. The Biodynamic Land Trust, which originated the project, also committed to underwrite the offer with a loan of the same amount. Combining the support from both the BDLT and Resonance gave more momentum to the project. They extended the share offer to June 2013, and finally managed to raise over £200,000 in share offers. All of this together was enough to cover the estimated cost of the project.

The wind turbine became fully operational in June of the same year, and has been generating low carbon electricity since then, the equivalent to supply about 53 households, thus effectively contributing to a more sustainable society. The ambition of Ecodynamic CBS is for the income generated to eventually support local biodynamic and organic farming, once finances will allow.



AMBITION – Stockwood CBS

In 2014, Stockwood CBS acquired 150 acres of Rush Farms' land and the Stockwood Business Park in Worcestershire. The land and business park were placed in trust for the community, securing the base for Stockwood CBS' charitable mission of environmental and social transformation through the provision of a community farm.

In the last three years, Stockwood CBS has successfully engaged with the local community. They now benefit from strong community support and have been able to raise additional funding through a community share offer, combined with a Social Investment Tax Relief scheme. Besides purchasing more land, this funding has enabled them to install a district heating system for the business park, helping to deliver renewable solar energy and cost savings.

Stockwood CBS is a project with real ambition and vision. Their future plans are shown in our community transformation section on page 26.

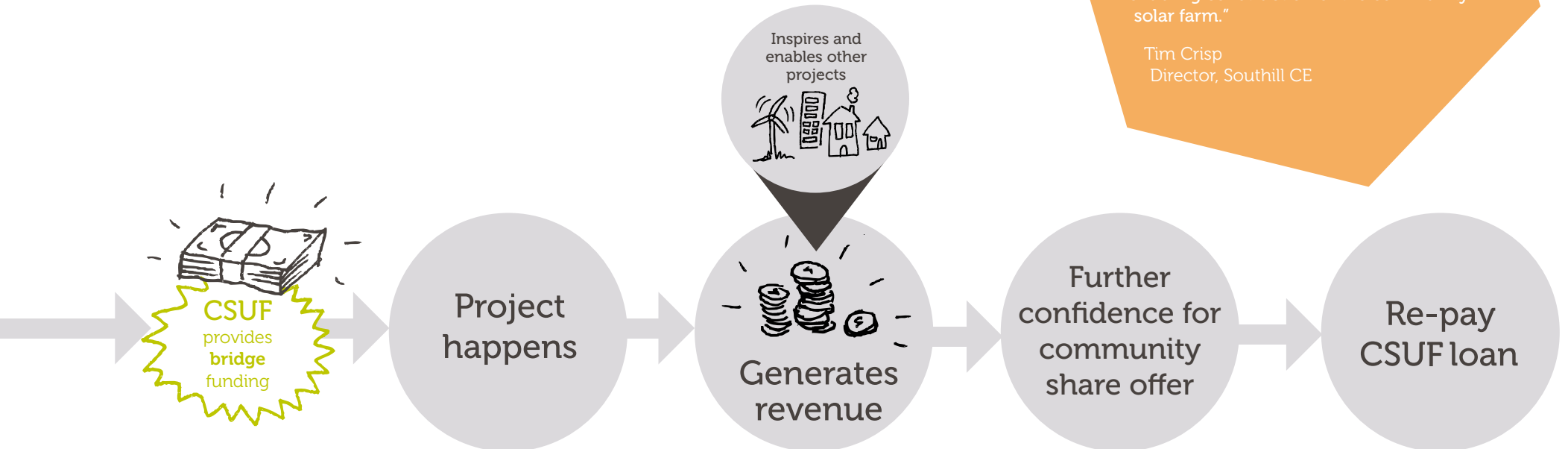
It is important for Resonance to develop a strong relationship with its investees. It is then able to react quickly in a supportive manner when the project is moving towards its next stage of development.

"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

"This financial underwriting by Resonance is a great example of how a social impact investment fund provides essential support to community initiatives. It came at a critical time in our share offer, demonstrating confidence in our project along our path to full financial close and enabling construction of the community solar farm."

Tim Crisp
Director, Southill CE



3. Affordable Homes Rental Fund (AHRF)

The Affordable Homes Rental Fund (AHRF) was created to make a difference to one of the biggest issues in 21st Century UK society: housing that is affordable now and affordable in perpetuity. It is a big challenge.

AHRF's role is to get involved at three points in the story of locally-led affordable housing. It can provide:

- (i) **early stage support** and signposting to projects at an early stage;
- (ii) up to **100% of the finance** for construction or purchase; and
- (iii) **flexible loans** for homes that are already built, to ensure they can be made available for affordable rental.

In every case, the impact is to make it more possible for local people to identify and deliver solutions to their own affordable housing problems.

Most of our work is with Community Land Trusts (CLTs), which are a particular kind of organisation, specially designed to make it easier for local people to own, control, and steward affordable housing projects. If you are not familiar with CLTs, there is a little more explanation on page 33, in Appendix 2, and plenty more on the National Community Land Trust Network's website.

EARLY STAGE SUPPORT

CASE STUDY: Homes for Wells



ISSUE:


Homes for Wells was looking for a funding scheme that would give them the security they needed to successfully deliver their first large affordable homes project. They were facing market lenders offering loans at variable rates, or fixed rate for a short period of time, creating financial uncertainty for them.

HOW AHRF HELPED:

AHRF provided confidence at an early stage that funding at fixed rate for 8 years would be available once planning was achieved, thus giving the volunteers at Homes for Wells the guarantee that they could securely kick off their housing project and have confidence in the future. According to Jim Fergusson, treasurer of Homes for Wells, this was the "best deal" they could find, and the most appropriate to their needs whilst reducing their interest rate risk.

100% FUNDING

CASE STUDY: Holsworthy Community Property Trust



ISSUE:

Holsworthy CPT is an established Community Property Trust that has gained a strong reputation within the local community. To grow their portfolio of affordable rental homes, they identified 5 houses which required finance to purchase.

HOW AHRF HELPED:

Holsworthy CPT required the ability to sell one of the houses to a local family at an affordable price in the short term. Resonance worked with Holsworthy CPT to structure its investment, providing them with 100% funding and with the ability to be flexible with the ownership. It means they can meet the needs of the community, having the potential to either retain the property as an affordable rental or sell it within a pre-determined period.

PLANNING AND PRE-DEVELOPMENT



PURCHASE OR CONSTRUCTION OF THE HOMES



FLEXIBLE LOAN

CASE STUDY: Broadhempston Community Land Trust

ISSUE:

Broadhempston CLT had successfully brought to near completion a development of 6 self-build eco houses for local families in need of affordable housing. As with many developments, there were unforeseen delays and cost overruns due to various unpredictable factors, including great crested newts and adverse weather conditions! The CLT managed to make savings but were in need of further funds to complete the project as planned.

HOW AHRF HELPED:

Resonance built a close relationship with Broadhempston CLT throughout the development and was able to provide them with support and advice whilst increasing the level of loan finance to help complete the project. Meanwhile, Broadhempston CLT secured additional funding from the community who were committed to the project and wanted to help.



PURCHASE OR
CONSTRUCTION
COMPLETED



HOMES RENTED
TO LOCAL FAMILIES



BUILD
TRACK
RECORD



EVENTUALLY
RE-FINANCE



More Detail

EARLY STAGE SUPPORT – Homes for Wells

The team at Homes for Wells were all volunteers with no previous experience of affordable homes projects. They did not know what was going to happen from a financial point of view, and felt a fixed rate loan was the most appropriate deal for them to start. They could not seem to be able to find anyone offering fixed rate funding over a long period of time.

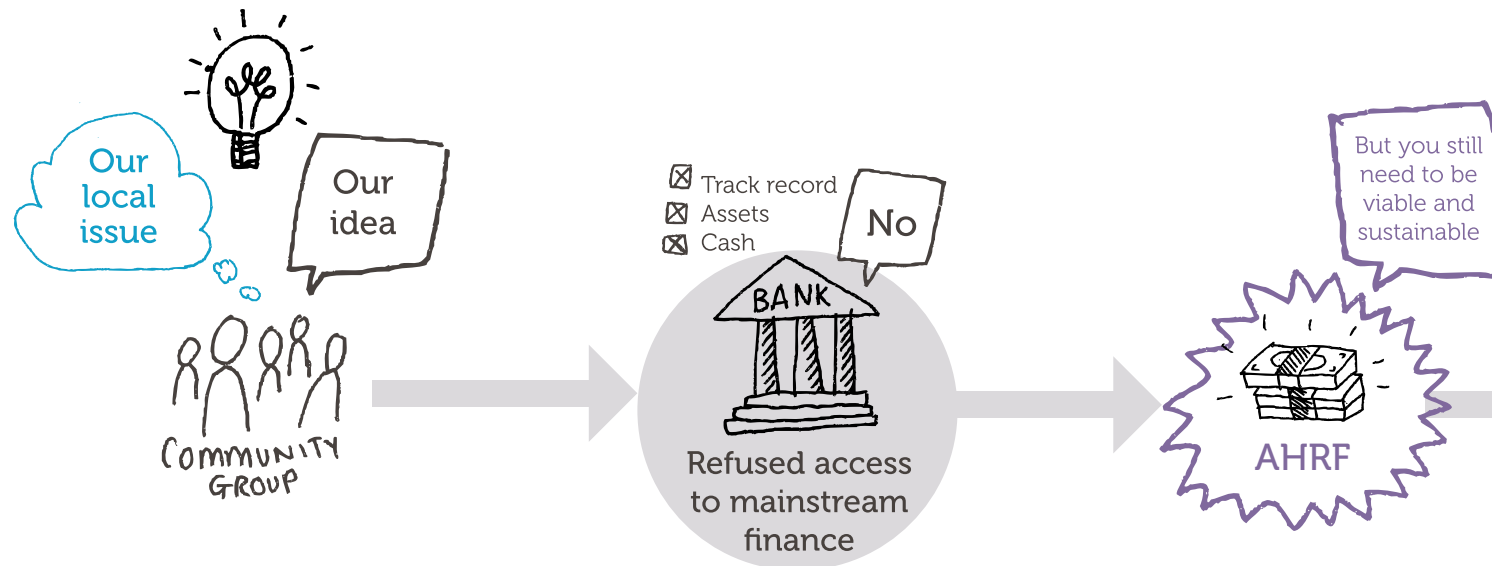
With the funding from AHRF, they got the financial certainty they needed, and were able to complete the housing project. This scheme now successfully provides 11 affordable homes for about 20 tenants and their children. For this strong and committed team, that is what they are most proud of.

Three years later, Homes for Wells say they would be ready to go for a market loan at variable rate. Having built up the knowledge and track record they were missing before, they could potentially secure further funding by themselves. For us, it means we were supportive when help was needed the most, at the very early stage of their project, before traditional finance was available.

100% FUNDING – Holsworthy CPT

Resonance has invested with Holsworthy CPT on the Sheepwash project and was keen to support them with their latest expansion plans to secure more affordable housing in the local area. They had identified 5 affordable houses that were for sale and required 100% funding for the cost. Resonance was able to provide 100% funding for the purchase and to allow Holsworthy CPT the flexibility to repay early if one house was sold as an affordable home.

Those 5 affordable homes are part of Holsworthy CPT's long-term community vision to provide 50 homes which local people will be able to afford. By funding this second scheme, Resonance is pleased to be able to support them with their ambitious plans. They are now also providing further support to the community, besides those housing schemes, which is discussed further on page 29.



FLEXIBLE LOAN – Broadhempston CLT

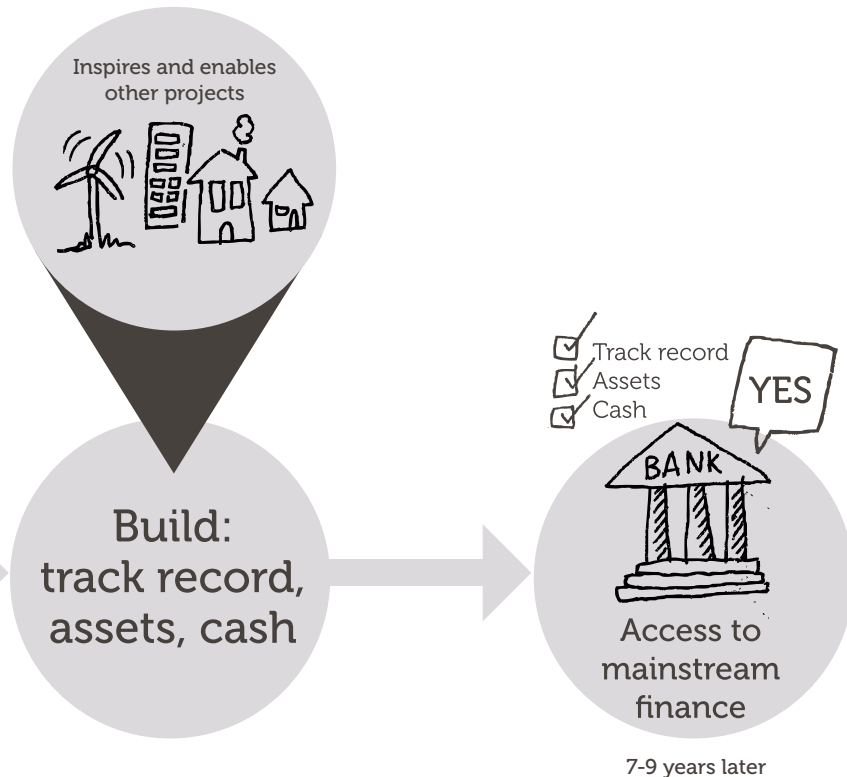
The members of Broadhempston CLT showed great tenacity to bring their development of 6 self-build eco homes to completion during 2016. After 3 years of planning, the project began in 2014. It stemmed from a need of locals to be able to live near their families where they work and go to school. Local house prices had increased above what was affordable for many local people due to the desire of other people to move away from an urban area and come to live in a beautiful rural setting.

The concept was to build innovative ecological family houses with each household securing 25% of equity in return for their labour, with the opportunity over time to purchase up to a further 50% of their homes.

"Resonance has been invaluable in providing financial backing for our six self-build affordable homes. As the project has developed, we have continued to find them easy to communicate with and very responsive to our changing needs and circumstances."

Sibylle Dowson

Chair, Broadhempston CLT



Over 50 volunteers have been involved in the project in many forms including construction, supplier negotiation, project management and childcare. People have not only utilised their expertise but learnt many new skills. The project has collaborated with the local college and shared its experiences with other similar organisations

Despite numerous setbacks, the CLT overcame many issues, some of which had financial implications. Cost savings were made and additional sources of income were identified to complete the project. Resonance had worked with the Board to ensure that the structure allowed for capacity to accommodate some cost overruns and time delays. The 6 families moved in during 2016 and are now enjoying the benefit of their hard work. Broadhempston CLT also holds periodic open events for people interested in their project.

AHRF provides funding for the development and rental of affordable rental homes. However, the maintenance of a close relationship is key to ensure that Resonance is able to provide continuing support during the life of the project with the potential of additional funds as this project required.

4. Community impact

Resonance is a demand-led social investment company, which means we listen to what social enterprises are asking for and then design the financial solution to best fit their need. It means we fit the money to the enterprise, not the enterprise to the money.

With the Affordable Homes Rental Fund and the Community Share Underwriting Fund, we have learnt from communities where community-led projects come from, the problems they are trying to fix, the people they are trying to help, and the support they need the most. With this, we can fine-tune our financing solutions to produce the greatest impact for the greatest number of people.

This listening and learning approach to what we do means we have observed some things along the way:

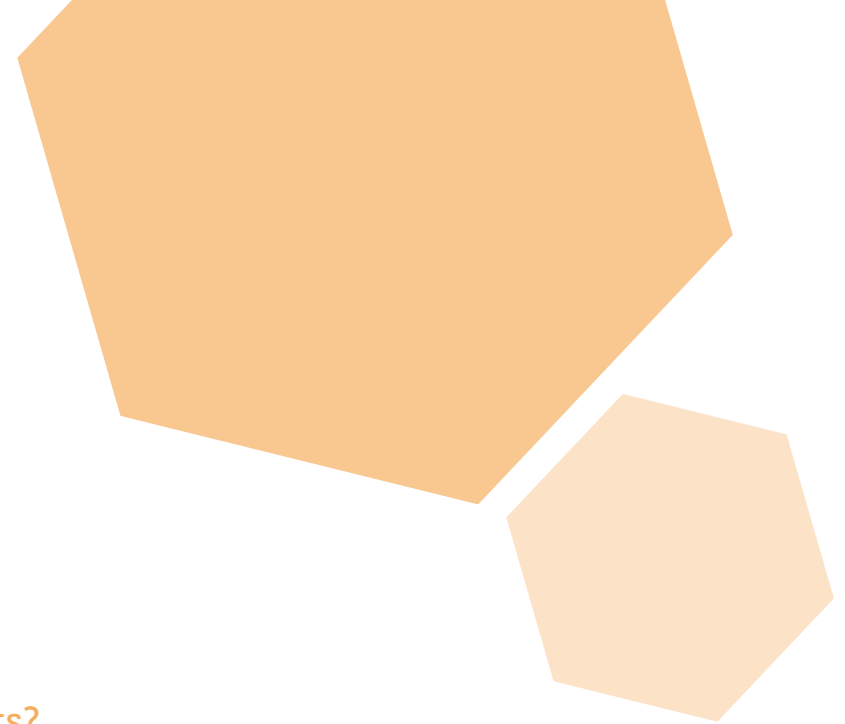
What makes a community-led project?

- People 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, which may not be available anyway, or a one-size-fits-no-one large institutional solution.
- The 'community' may be one of geography, interest, or both: people join together to solve problems in their local area, or ones they have a common interest in tackling.
- When the asset (homes, or a solar project, or the local pub, or library, etc.) is acquired or created, it must be stewarded for future community benefit. Community groups provide the bedrock for this to happen.
- The initiative and involvement of local people brings a sharper focus on how well solutions are going to fit, greater justice to any debate about trade-offs, the tenacity to overcome any obstacles and delays, and often significant expertise and "human capital" in the form of volunteering.

Who benefits?

The beneficiaries are often diverse and overlapping groups.

- Some projects address an immediate need, such as affordable housing, with an eye on the long-term goal of community stability (for example, keeping a local school open by bolstering the number of affordable family homes in a village).
- Many community projects could describe their work as preventing the "nearly poor" from becoming the "really poor". Rather than being resigned to the inevitability of financial catastrophe for people, communities intervene to do something about it.
- Others are more indirect, for example, green energy projects generating cash which in turn helps tackling local fuel poverty. It is particularly revealing to see the extent to which wealth and poverty exist side by side in many communities and the ways in which community-led asset projects can bridge that gap.



How big a difference can this make?

Individual projects may seem small: ten houses will not solve the UK housing crisis and 50kW of green energy will not meet the UK's renewables targets. However, the cumulative number of homes, energy projects or other things, does make a significant difference. They are part of a movement and, in contrast to mega-projects, they are often much better able to target a specific high-impact issue than a large-scale national solution. For example, a Community Land Trust can deliver a niche scheme for local families where a Housing Association probably could not.

Once a model for local action happens in one place, it inspires others and can be more easily replicated. That is what a movement is about. The enormous increase in Community Land Trusts and Community Share Offers across the country in recent years is evidence of this, as well as a measure of demand from local communities for their own solutions.

So what is the impact?

We start and finish with social impact, so we are very careful about how we define it, how we measure it and how we support communities wanting to create it.

We positively screen for those projects that set out to achieve the highest social impact and negatively screen for those where impact is weak or missing.

To do this, we have developed a matrix of criteria to assess the impact of community projects we support; this is explained in some more detail in the next section.

"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
Board Member & Treasurer,
Homes for Wells



5. How do we measure impact?

Impact is present at every stage of our work. Otherwise, it would just be investment, not social impact investment. This means we set out to measure the social impact, both in quality and in quantity, as carefully as the financial return.

One of the ways we do that is to measure the impact of the process as well as the results. Accompanying community groups through the process of due diligence for potential investment from our funds typically results in positive changes to the governance, financial model, social impact, management systems, and other dimensions of the organisation. Very often, the conversations happening around those questions are what makes the process important – it is where we engage with the Directors to strengthen the organisation together.

In a practical sense, even when we do not end up investing in applicants to our funds, the organisations get value from the process.

At the other end of the spectrum, a significant number of community groups do such a good job of preparing for investment that they are able to raise all the money they need without the backing of our funds. We count that as success too.

If community groups get there with our help, but not with our money, we are happy because the social impact gets delivered and we can use the money to help another community create more impact.

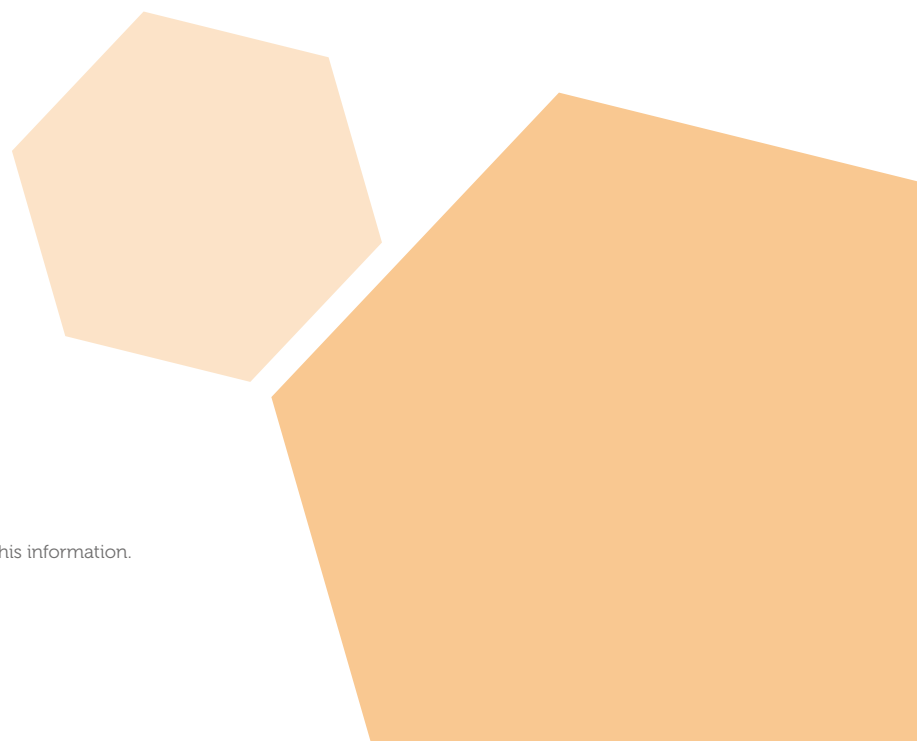
We want to help communities:

- Take control of their own destinies;
- Raise their ambition;
- Build momentum for community action;
- Become resilient; and
- Transform their communities for the better...

... so both funds measure metrics directly related to those themes, to see if our investment is helping it happen.

The next few pages tell the story of how our funds have measured up so far⁷.

⁷ This year we have gathered more thorough data from a larger number of investees, and have therefore restated historical data to reflect this information.



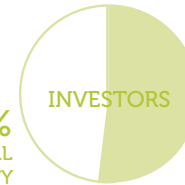
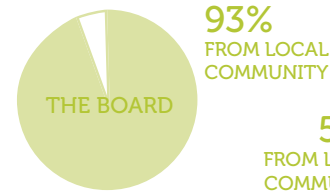
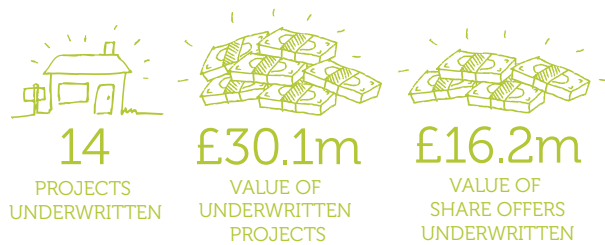
Community Share Underwriting Fund (CSUF)

Measuring social impact is done before we make an investment (assessing whether to invest) and after the projects have become a reality (assessing whether that impact is actually being delivered). For the Community Share Underwriting Fund, there are four criteria, each of which has metrics to give us some visibility over what is happening:

At the stage where projects come forward to the Community Share Underwriting Fund (CSUF), we use these criteria to give each a score, so that our Investment Committee can compare different projects with one another and make consistent, fair choices. It also allows us to report back on how CSUF projects are doing.

Criteria			
1) Unlocking retail investors' confidence	2) Catalysing momentum for community benefit	3) Enhancing community ambition	4) Community transformation
Measures			
1a) Total project cost	2a) Number of volunteers	3a) Number of new projects since underwriting	4a) Proportion of revenue allocated to community benefit
1b) Total share offer	2b) Proportion of the Board from the local community	3b) Total value of new projects	4b) Revenue generated
1c) Total underwriting	2c) Number of investors from the local community	3c) Number of investees launching follow on community share offers ⁸	4c) Revenue distributed
	2d) Amount raised from local investors		4d) Issue focus
			4e) Annual number of non-members benefiting

⁸ This metric was added this year to reflect the ongoing progress of the organisations we support, but it is not part of the criteria used to assess new projects.



Unlocking Retail Investors' Confidence

A good way to assess the measure of unlocking investors' confidence is to look at how much our underwriting money has multiplied, or leveraged, itself. Over the life of the Fund to date, our underwriting has unlocked 3.2 times as much in community share funding and 5.9 times as much in total project investment.

Two or three years down the line, we can also look at how many organisations we have supported have launched or are planning to launch further community share offers. Out of the 9 organisations which drew our underwriting, two have already engaged in follow on community share offers capitalising on the success of their operations. A further six community share offers are now in planning. The key areas of use for those funds are: enabling further local engagement and ownership, repaying loans and improving cash flows, and launching new projects. In total, more than half of the organisations we invested in have launched or are planning to launch further community share offers.

For us, even though we do not always get involved in those additional community share offers, it means we were there when an extra bit of confidence was needed to unlock the projects, and that our support contributed to the communities' future ambitions and aspirations.

Catalysing Momentum for Community Benefit

Catalysing momentum relies on the engagement of local people to determine their own local affairs. Southill Community Energy was facing a challenge when their solar farm project was initially rejected at planning, on the basis that it would be a visual nuisance in an Area of Outstanding Natural Beauty (the Cotswolds). Working with their landscape architect, they came up with an idea: Bring Your Brolly Day. The volunteers at SCE put up some advertisements in the local community, and on the day, there were more people (and umbrellas) than the rented bus could handle!

All participants were carefully placed on selected spots in the field, and were asked to open up their umbrellas. They would represent the solar panels. Pictures were taken from different viewpoints to show what would actually be visible from surrounding footpaths and roads.

Not only did this earn SCE the planning permission, it also proved that when communities are engaged, they can create a stronger impact and convince decision-makers that this is the way forward.

Now, Southill Community Energy has got the solar panels in place, and it has also planted an orchard, with volunteers joining to help, and installed the UK's first Thermosolar Beehive, an ingenious mechanism using heat from the sun to protect bees against the devastating Varroa mite. The project is now at a stage where it is able to start distributing revenues back into local community projects.



Enhancing Community Ambition

By investing in communities, we are intentionally helping them realise their ambitions and, at the same time, enhancing the ambition of other groups within the community. This is why we measure ambition by the number of additional projects, beyond the one(s) we invest in, and their value.

Low Carbon Hub is a great example of community ambition. In the last two years alone, they have completed 22 additional projects worth over £3.7m. Those are all additional renewable energy installations in Oxfordshire.

They build on the expertise and experience from previous projects to further develop renewables in their local community, and that is really what they are all about.

Alongside their own projects, they have also used part of their income and funds raised in share offers, combined with grants and donations, to support various projects across Oxfordshire. They awarded 11 grants for 7 different projects, totalling £155k. Some of those include solar panels on a village hall roof, underfloor heating in a church, as well as domestic energy efficiency schemes across Oxford.

This is not all. Low Carbon Hub has also been supporting two other local community energy enterprises in delivering their projects, one of which is the Southill Community Energy, which we have invested in this year.

⁹ We define local investors as those from the neighbouring postcodes to the project or within the county where the project is located.

¹⁰ When we measure additionality and ambition, we ask communities how many new projects they've created following the one(s) we backed with underwriting, and ask them how our support has helped.



AVERAGE PROJECT SURPLUS
ALLOCATED TO
COMMUNITY BENEFIT



Community Transformation

One way to look at community transformation is to sum up the net revenues allocated to community benefit. After two or three years of operations, we observe an average of 34%. However, not all models start generating revenue right away. Chelwood Community Energy, which we supported last year, is currently working on establishing the structure that will enable them to allocate this surplus in the following years. They estimate they have for now £50,000 available for distribution and are setting up a charity which will hold the funds, and a working group which will develop the criteria for grant applications to those community funds.

Yet, projects start transforming communities from day one. We can therefore look at how much a community has benefitted from a project in non-financial ways too. Educational events, summer fairs, community events, local employment and volunteering, and community assets stewarded for future generations are so many ways in which local people can benefit.

At Stockwood Business Park, the commercial tenants employ about 100 local people who work in a fantastic environment, calm and close to nature, with a district heating system and great facilities. One of their business tenants has even taken the responsibility for the care of a few sheep of their own (!) and many others sometimes help out with caring for young orphaned lambs.

The business park is surrounded by fields which are used for biodynamic and ecological farming, practices that are respectful of the environment and biodiversity. The local community might not yet fully realise it, but this is a benefit now and an invaluable gift for future generations.

The Summer Fair attracts over 500 people each year, where they can learn about biodynamic agriculture and nature, and about the way Stockwood CBS works as a sustainable model.

In the near future, Stockwood CBS is also planning to have a community and education building, a kindergarten, a café, some agricultural workshops and a dedicated wildlife area. The long-term vision is to bring about a profound transformation of the relationship between the community and the land where it lives.



CASE STUDY: Stockwood CBS, Ecodynamic CBS and the Biodynamic Land Trust

A great story bringing those four measures of impact to life, and taking them to a whole new level, is the involvement of Stockwood CBS and Ecodynamic CBS in a movement that goes well beyond their local communities.

Both organisations have been originated by the Biodynamic Land Trust (BDLT), a charitable community benefit society dedicated to stewarding farmland for future farmers and for ecological management, and to foster community activity around the land. BDLT provides ongoing support and direct investment into those projects.

With Stockwood CBS, BDLT entered into a unique partnership: the asset (the land) is locked into the Trust and will thus contribute to fulfilling the Trust's mission in perpetuity. At the same time, because BDLT put money into the project, it receives investment income that contributes to its ongoing operations. The Trust's agenda is now to develop more partnerships of this kind in the next five years, encouraging communities to take ownership of the land they live on, and to foster more sustainable practices when it comes to using this land. Stockwood CBS is now an example for future similar schemes.

In the case of Ecodynamic CBS, although the project itself (the wind turbine) did not directly fulfil BDLT's mission, it was agreed that the project surplus would be used to support organic and biodynamic farming in the local area. Again, the investment into the project also provides the Trust with regular income to further implement its own projects.

We have shown elsewhere in this report that Stockwood CBS and Ecodynamic CBS have created viable models that transform their communities day by day and in the long-term. But what this shows is that they are simultaneously contributing to a greater movement for community empowerment and sustainability, under the umbrella of the Biodynamic Land Trust.



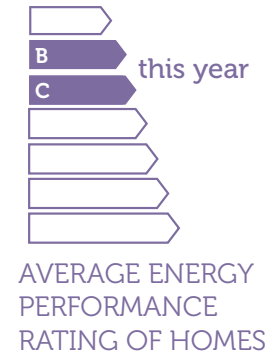
Affordable Homes Rental Fund

For the Affordable Homes Rental Fund (AHRF), the measurement metrics are built around supporting community stability, security and sustainability for the future, because we realise that affordable homes are the means to supporting communities, not an end in themselves. The table here shows how we translate that thinking into metrics.

Against these criteria, the headline metrics of the Affordable Homes Rental Fund over the last few years are as follows.

Criteria				
1) Community leadership	2) Affordability	3) Community sustainability	4) Security of tenure	5) Additionality
Measures				
1a) Number of projects supported	2a) Rent levels as a proportion of local market rate	3a) Number of adults housed	4a) Length of tenancy offered	5a) Number of homes delivered
1b) Number of people involved	2b) Proportion of household income spent on rents	3b) Number of children housed	4b) Average length of occupancy ¹¹	5b) Total AHRF investment
	2c) Energy efficiency rating of homes	3c) Children added to local school roll		5c) Number of bed spaces made available (by the organisation overall)
				5d) Number of homes delivered (by the organisation overall)
				5e) Number of new projects planned, initiated or completed since the start of our support

¹¹ This metric, as well as metrics 5c, 5d and 5e, were added this year to reflect the ongoing progress of our investees, but are not part of the initial criteria helping us to assess new projects.



Community Leadership

We have seen how Holsworthy CPT is working towards its goal of achieving 50 affordable homes within the Holsworthy area of North West Devon. They have the desire to be self-sustaining without being reliant on grant funding. The Board is particularly strong with great expertise in community land trusts and delivering and managing affordable housing. They have guided other CLTs both in their roles as Board members but also in their professional skills which include a solicitor, a councillor, a town planner and a professor. This expertise is invaluable to the sector.

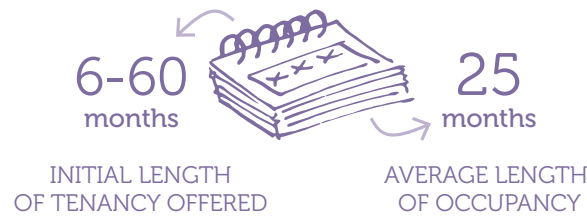
When it was discovered that the local youth club was to be closed, Holsworthy CPT stepped in. It now holds the Youth Club building for the benefit of the community. This also involves overseeing the youth club sessions which are important for the engagement and wellbeing of young people in the area. Holsworthy CPT is a great example of a voluntary leadership board helping to solve an issue of local housing need and building on its reputation to strengthen the community engagement across the area.

Affordability

At Bristol CLT, for example, renting occupiers pay 80% of local reference rents (the average rent for properties of the same size in the area). Moreover, the innovations of recognising the labour of the first occupiers in return for a further reduction in rent/purchase price (for their 'sweat equity'), and the inclusion of solar panels to generate discounted electricity for residents, means affordability is even better. A tenancy agreement is also in place, mapping the changes in rent for the next 3 years, making it easier for tenants to plan ahead.

The combination of these things should increase the ability of the occupiers to save money for the future and spring them from the trap of 'generation rent' (where there is never quite enough left from household income to put something away for a rainy day, or a deposit on a house).

At Homes for Wells, where rents are substantially lower than local market rents, tenants are able to live closer to the community and to their workplace. That means a better work/life balance, but also subsequent savings on transport costs. The combination of affordable rents and savings on transport mean tenants have a bigger margin to spend on other things.



Community Sustainability

The role that Bristol CLT sees for itself in the city is one of a pioneer, creating pockets of community stability in a turbulent housing market where landlords increasingly hold all the cards. Not only have the residents participated to finish their homes, they also meet regularly and work together as a team on their shared garden, strengthening their community attachment while learning wood work skills.

Most of the tenants at Homes for Wells have now been in their homes for 2 to 3 years, with very few people moving houses each year, and all work locally. The stability in tenancy means residents can, over the years, build more robust economic and social ties locally, which helps making the broader community more sustainable.

Security of Tenure

At Homes for Wells, some tenants have had challenging personal circumstances, and have seen changes within their households which could have brought them into financial difficulty. Homes for Wells has however been working with them to enable them to stay in their homes. For the people living in the affordable homes, this means security for them and stability for their children, even in turbulent times, and no bad debt needing to be written off.

Additionality

The Affordable Homes Rental Fund uses the number of homes created and the investment made in them as markers of the additional value it is contributing to the affordable housing movement in the UK.

For the first time this year, we have also asked our investees how many other projects they had completed, initiated or planned since our investment. All together they have a cumulative number of 23 additional projects. This means a lot to us, as they have now all been building a track record and gaining the necessary experience to become a sustainable "engine" for community solutions.

However, it is not just the additional numbers that matter. It is the additional quality of life that these projects bring. At Bristol CLT, the residents know that having a home, not a house, is life-changing and invaluable. Those homes, which they participated to build, and their shared garden, which they maintain and cherish, are essential to their wellbeing.

6. Part of something special

Social investment in community shares has grown significantly in recent years, and hit a peak for annual issues of 104 in 2015, before reducing to an annual run rate of around 60 issues per year (partly due to the cut in renewable energy feed-in tariffs in 2015 which reduced the viability of many community energy projects). Our Community Share Underwriting Fund has now completed its final deal, having fully deployed its investment. The good news is, that Fund was there to support the movement when there was the strongest need for it. We are now looking at how our next fund can continue to support community-led renewables projects either on a stand-alone basis or integrated with other community assets.

Social investment in affordable housing remains a growing movement and something we, and the investors in our funds, are committed to stay a part of.

This section tells the story of where we fit in.

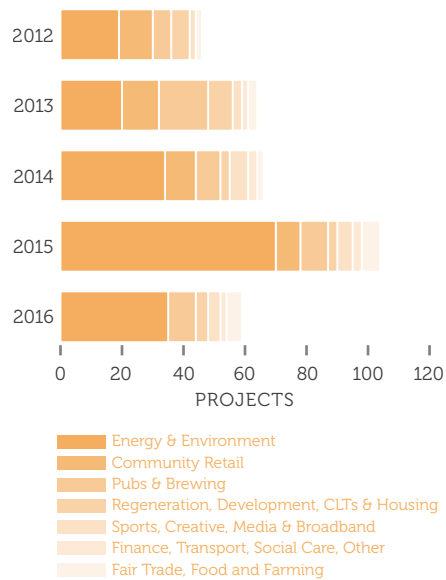


COMMUNITY SHARES

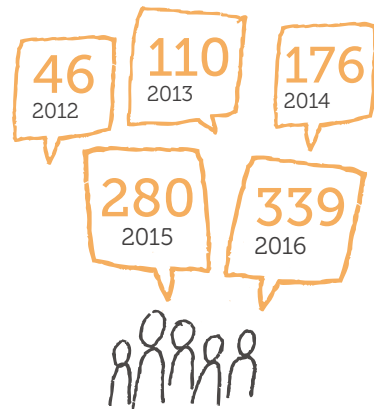
Resonance's Community Share Underwriting Fund has served a big demand from communities across the UK who wanted to take control of their own destinies. Now that the Community Share Underwriting Fund is fully deployed, we are starting to work on the next generation of community funds, responding to the needs of the communities.

Over the past few years, the evolution of community shares in the UK looks like this¹²:

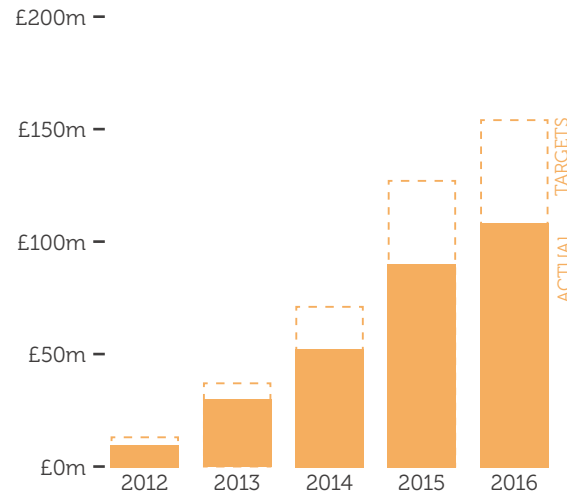
What types of projects are there?



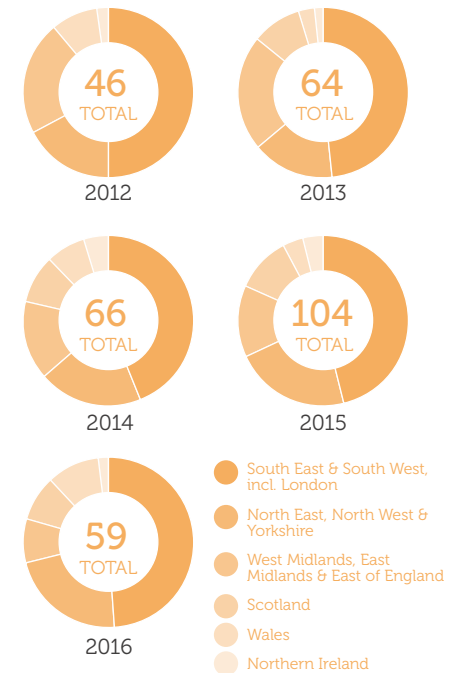
Cumulative number of share offers undertaken between 2012 and 2016



Target and actual money raised in community share offers



Where are the community shares?



This table shows which issues communities are tackling through community share offers. More than half of the share offers issued in 2016 were created so that communities could generate their own renewable energy. On our side, renewable energy projects, for communities and schools, represent 80% of projects we supported over the life of our Community Share Underwriting Fund.

The gap between the target and the amount actually raised is a very good definition of the need for the Community Share Underwriting Fund: not every community share offer reaches its target so we help close the gap for a number of those projects.

In 2016, the South (East and West) led the movement in community share offers, with the North West coming right behind.

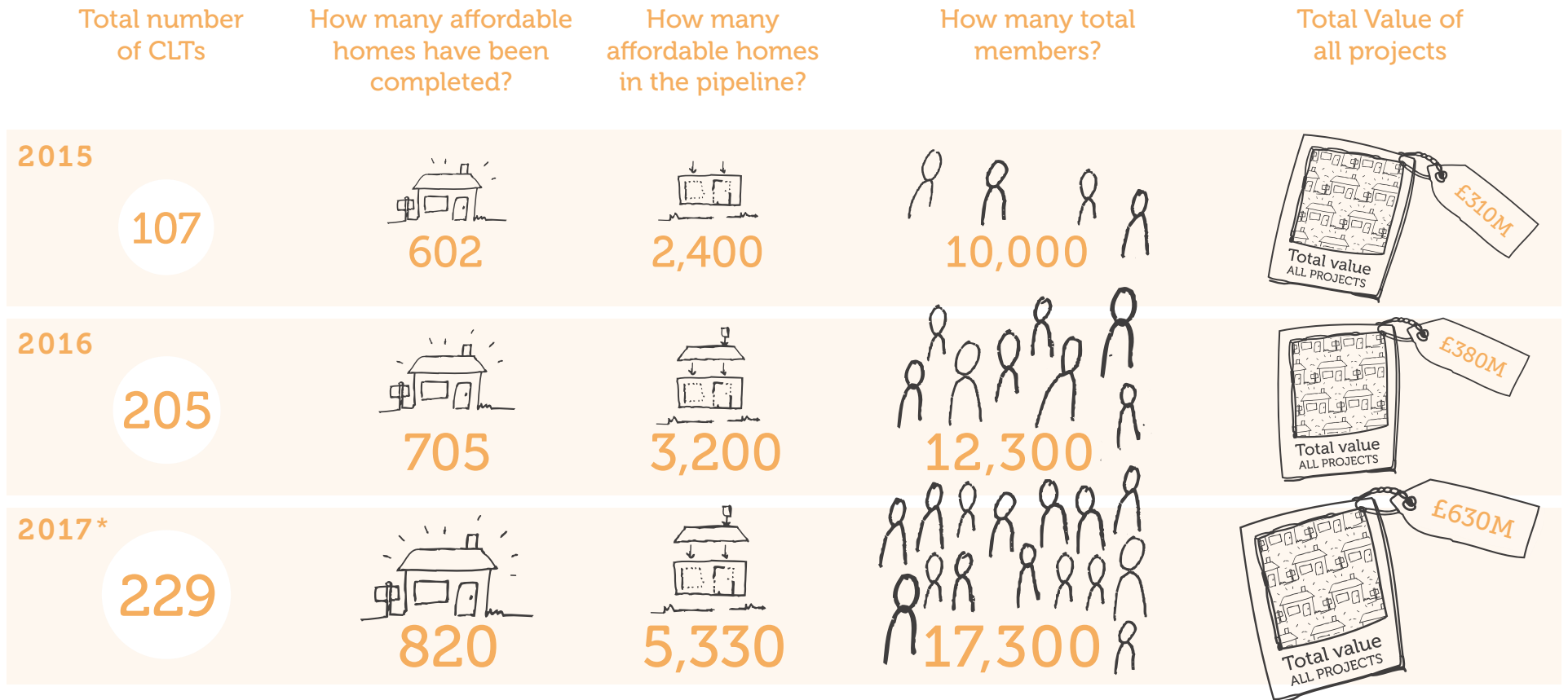
¹² With our thanks to the Community Shares Unit for the data, made publicly available at <http://communityshares.org.uk/>

AFFORDABLE HOMES

Our Affordable Homes Rental Fund (AHRF) principally invests in Community Land Trusts (CLTs), which are an increasing part of fixing the problem of unaffordable local housing in this country¹³.

CLTs are springing up all over the UK and we are supporting as many of them as possible.

There were 170 CLTs in 2015, with around 10,000 members in total. In 2017¹⁴, there are now over 200 CLTs, gathering about 17,000 members. So far, those CLTs have completed 820 affordable homes and they have 5,330 homes in their plans for the near future. At an average of £100,000 each to build, that's around £630 million worth of affordable homes projects¹⁵.



*2017 data is year to date

¹³ There's a little more explanation of CLTs in Appendix 2 to this report.

¹⁴ Year to date.

¹⁵ With our thanks to the National CLT Network for the data.

Appendices

APPENDIX 1 – Community groups we have supported to date

	Community Group	Project	Fund	Status	Total project	Approved for investment
1	Cornwall CLT - project 1	Community owned affordable housing - refinancing	AHRF	Loan finance taken	£110,000	£110,000
2	Cornwall CLT - project 2	Community owned affordable housing - refinancing	AHRF	Loan finance taken	£90,000	£90,000
3	Somerset CLT - project 1	Community owned affordable housing & workspace - purchase	CSUF	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	AHRF	Loan offered, however, planning technicality could not be agreed	£80,000	£80,000
5	Holsworthy CPT - project 1	Community owned affordable housing - refinancing	AHRF	Loan finance taken	£100,000	£100,000
6	Sheffield Renewables CBS	Community owned hydro electricity project	CSUF	Underwriting offered, however, project did not proceed due to unviable installation tender	£800,000	£200,000
7	Ecodynamic CBS	Community owned wind turbine project	CSUF	Underwriting taken and drawdown, matched by community share funding	£350,000	£80,000
8	Homes For Wells CBS	Community owned affordable housing - conversion	AHRF	Loan finance taken	£1,370,000	£400,000
9	Stockwood CBS - project 1	Community owned business park and farm	CSUF	Underwriting taken and drawdown, matched by community share funding	£2,800,000	£200,000
10	Cornwall CLT - project 3	Community owned affordable housing - refinancing	AHRF	Loan offered, however, project was financed through grant funding	£370,000	£370,000
11	Holsworthy CPT - project 2	Community owned affordable housing - development	AHRF	Loan offered, however, planning was declined	£190,000	£190,000
12	John Cleveland CBS	Community owned renewable boilers for local college	CSUF	Underwriting taken, leading to fully subscribed share issue	£640,000	£50,000
13	Middlesbrough CLT	Community owned affordable housing - empty homes conversion	AHRF	Loan offered, however, project was financed through grant funding	£360,000	£200,000
14	Cornwall CLT - project 4	Community owned affordable housing - development	AHRF	Loan offered, however, project did not receive grant funding required	£140,000	£100,000
15	Cornwall CLT - project 5	Community owned affordable housing - purchase	AHRF	Loan offered, however, price could not be agreed by community group with vendor	£80,000	£60,000
16	Osney Lock CBS	Community owned hydro electricity project	CSUF	Underwriting taken and drawdown, matched by community share funding	£670,000	£150,000
17	Holsworthy CPT - project 3	Community owned affordable housing - development	AHRF	Loan offered, however on hold as further planning submitted for more units	£190,000	£190,000
18	Somerset CLT - project 2	Community owned affordable housing & workspace - conversion	CSUF	Underwriting taken and drawdown, matched by community share funding	£410,000	£130,000
19	Low Carbon Gordano CBS	Community owned solar farm	CSUF	Underwriting taken, leading to fully subscribed share issue	£2,100,000	£600,000
20	Bristol CLT	Community owned affordable housing - conversion / new build	AHRF	Loan offer accepted and drawdown	£1,800,000	£1,200,000

	Community Group	Project	Fund	Status	Total project	Approved for investment
21	Broadhempston CLT	Community owned affordable housing - self build	AHRF	Loan offer accepted and drawdown	£880,000	£880,000
22	Bath & West Community Energy (Wilmington)	Community owned solar farm	CSUF	Underwriting taken, leading to fully subscribed share issue	£2,600,000	£600,000
23	Wiltshire Wildlife Trust	Community owned solar farm	CSUF	Underwriting taken, leading to fully subscribed share issue	£6,100,000	£600,000
24	Oxfordshire CLT	Community owned affordable housing - development	AHRF	Loan approved however project on hold	£900,000	£640,000
25	Resilience Centre CBS - Alvington	Community owned wind turbine project	CSUF	Underwriting taken and drawdown, matched by community share funding	£1,850,000	£600,000
26	West Oxford Comm Renewables	Community owned solar project on a school	CSUF	Underwriting taken and drawdown, matched by community share funding	£312,000	£140,000
27	Chelwood Community Energy	Community owned solar farm	CSUF	Underwriting taken and drawdown, matched by community share funding	£5,800,000	£600,000
28	Low Carbon Hub CBS	Community owned roof mounted solar	CSUF	Underwriting taken and drawdown, matched by community share funding	£1,370,000	£600,000
29	Stockwood CBS - project 2	Community owned farmland - expansion of biodynamic farm	CSUF	Loan offered, however, project was financed by other funding	£700,000	£200,000
30	Craigmillar Eco Housing Co-op	Community owned affordable housing - new build	AHRF	Loan approved however project on hold	£930,000	£930,000
31	Resilience Centre - Mounteneys	Community owned wind turbine project	CSUF	Loan offered, however, project was financed by other funding	£2,750,000	£600,000
32	Beer CLT	Community owned affordable housing - refinancing	AHRF	Loan offered, however project refinanced through Council	£300,000	£300,000
33	Southill CBS	Community owned solar farm	CSUF	Underwriting taken and drawdown, matched by community share funding	£4,420,000	£600,000
34	Broadhempston CLT - project 2	Community owned affordable housing - self build (additional lending)	AHRF	Loan finance taken	£50,000	£50,000
35	Holsworthy CPT - project 4	Community owned affordable housing - purchase	AHRF	Loan offer accepted and drawdown	£385,000	£390,000
36	East Mid Homes Coop	Community owned affordable housing - conversion	AHRF	Loan offer accepted and drawdown	£195,000	£175,000
37	Middlesbrough CLT - project 2	Community owned affordable housing - conversion	AHRF	Loan offer approved, but not yet drawn	£65,000	£80,000
TOTAL¹⁶					£42,977,000	£12,575,000

	Total Project	Approved for Investment
Total CSUF projects underwritten	£30,122,000	£5,150,000
Total CSUF projects underwritten with loan drawdown	£17,982,000	£3,100,000
Total AHRF projects with loan taken	£4,980,000	£3,395,000

¹⁶ This table shows everything we have approved for investment so far. Elsewhere in the report, our practice in reporting metrics is to only record data when a community accepts the offer of investment that we make, as that is when a project becomes contractually and financially linked to our funds. The numbers are higher in this table as we have included all offers made.

APPENDIX 2 - Some more background on affordable housing through Community Land Trusts

Community Land Trusts (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 3 - What is social impact investment anyway?

The UK is setting the pace for a growing international movement towards social investment. It's beginning to feel like a new normal; where investors want to do well by doing good. The old normal typically separated the money-making (with a certain blindness about how) from the good-doing (usually by giving some away). The new normal says that you can find ways to achieve both of these objectives together in the same investment – and that's sometimes both a better way of investing *and* a better way of achieving the impact you want to see.

No wonder it's an idea that's getting noticed, and steadily building some good evidence across the globe.

In the UK, new money is flowing into impact investment through organisations like Big Society Capital; the *Access Foundation* (£100m to direct into supporting smaller scale high-impact social enterprises); the *Power to Change Trust* (set up with £150m of Lottery money to support, develop and grow community businesses); and enlightened pioneering trusts already investing their endowment for positive social impact, like the Esmée Fairbairn Foundation. And because the new normal is about investment, rather than donations, it's setting up long term, sustainable relationships between investors and social enterprises.

On the demand side, communities still want to get things done to make their lives better, but they can't rely on the old normal. They need a new kind of money to make it happen.

That's where Resonance exists – in the middle ground between the demand and the supply – to build bridges between those who need investment for good social enterprise, and those who want their investment to make a difference as well as make a return.

At Resonance, we hope that our reporting of both the financial and impact track record of all the funds we now run, including the two in this report, is helping to build a bigger and better market for social investment, one good deal at a time.

APPENDIX 4 - 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.

Our investors into the community asset funds



Golden Bottle Trust



PANAHPUR
Can More Sing?



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Work in progress at Fishponds © Bristol CLT

1. INTRODUCTION

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2. COMMUNITY SHARE UNDERWRITING

Confidence: Southill Volunteers © Southill Community Energy
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3. AFFORDABLE HOMES RENTAL FUND

Early Stage Support: The Old School © Homes for Wells
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4. COMMUNITY IMPACT

The volunteers at Homes for Wells © Homes for Wells

5. HOW DO WE MEASURE IMPACT?

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A resident in their homes at Fishponds © Bristol CLT

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