

Community Land & Finance CIC

Social Impact Report
Year three (2014/15)



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





Contents

Summary

- 8 Introduction
- 10 Community Share Underwriting Fund (CSUF)
- 14 Affordable Homes Rental Fund (AHRF)
- 18 Community impact
- 20 How do we measure impact?
- 28 Part of something special
- 30 Appendices





Summary

Welcome to the third annual social impact report for Resonance's community social enterprise funds, operated through our community-lending arm Community Land & Finance CIC.

Through these funds, we currently look after £6.75m of investors' money and invest it into communities across the UK to help them achieve the social impact they want through profitable projects.

For 2014-15, we've got a lot more data to share with you, now that the Funds are at full force and have the momentum of three years work with social enterprises across the UK. It means we can begin to see patterns and shapes in the data that were invisible until now and that helps us see the whole picture of impact more clearly.

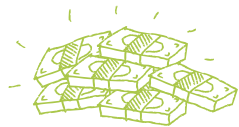
We have two community lending funds: the Community Share Underwriting Fund (CSU); and the Affordable Homes Rental Fund (AHR). Both are fundamentally about the imaginative use of investment, to help communities achieve their ambitions. CSU fixes the problem of community-funded projects needing to build confidence and momentum as they pursue share offers to finance their work. AHR wrestles with the housing crisis by lending to groups that can't yet get money from banks because they're too new, but who have a solution that helps families find homes that are affordable now and affordable for generations to come.

Our community lending is not the only game in town of course and it's a privilege to be part of a movement that produced sixty four share offers seeking to raise £34m in 2014; and where five hundred and twenty seven affordable homes have been completed already and around two thousand five hundred are in prospect. At the same time, we do think our Funds have some special features that make them stand out: mainly because they start, and finish, with impact and fit the money to that, not the other way round. 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 third year of running these Funds are illustrated on the pages that follow:

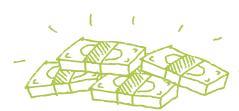


Community Share Underwriting Fund (CSUF)



£14.65m

VALUE OF
UNDERWRITTEN
PROJECTS



£7.97m

VALUE OF
SHARE OFFERS
UNDERWRITTEN



£2.28m

TOTAL UNDERWRITING
OFFERED BY
RESONANCE



£0.48m

TOTAL
UNDERWRITING
TAKEN



FROM LOCAL
COMMUNITY

THE BOARD

6

PROJECTS
UNDERWRITTEN



AVERAGE 137 LOCAL¹
INVESTORS PER PROJECT



FROM LOCAL
COMMUNITY

INVESTORS

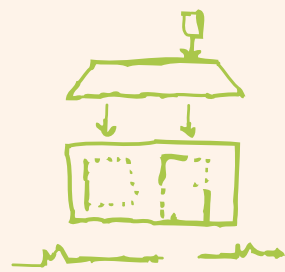


£2.32m

RAISED
FROM LOCAL
INVESTORS



Our underwriting offers unlocked 3.5 times as much in community share funding.....



6

ADDITIONAL
PROJECTS
CREATED²



£2.1m

VALUE OF
ADDITIONAL
PROJECTS



37%

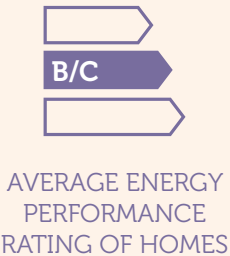
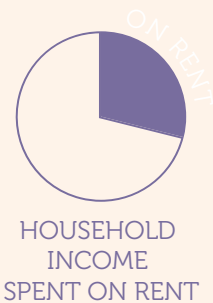
PROJECT PROFIT
ALLOCATED TO
COMMUNITY BENEFIT

..... and 6.4 times as much in total project investment for communities.

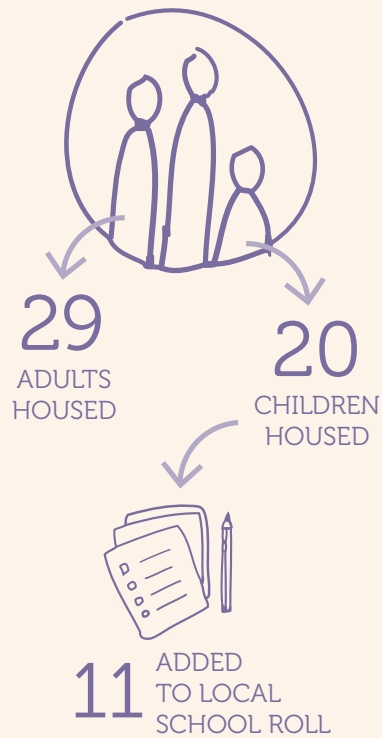
¹ We define local investors as those from the neighbouring postcodes to the project or within the county where the project is located

² When we try to measure additionality and ambition, we ask communities how many new projects they've created since the one(s) we backed with underwriting. It's a marker of the growth of community solutions

Affordable Homes Rental Fund (AHRF)



This year we have supported two innovative Community Land Trusts.....



..... involving self-build and self-finish by local people, with investment, and engaged with many more.

To put the detail from this year in context, since the two funds began investing in 2012:

The Community Share Underwriting Fund has made sixteen underwriting offers totalling £5.6m, unlocking a total value of share offers of £14m and £25.6m in total project value.

The AHR Fund has supported six affordable housing projects, with total investment from Resonance of £2.6m, and delivering £4.4m in overall project value.

These numbers are significant but of course they're really only the metrics from our projects added together to make a total. We look in detail at the reasons why these metrics matter at the heart of this report in Section 5. The perspective and colour also comes from the human scale of what community investment makes possible. Please see the hexagon to the right for an example.

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

BROADHEMPSTON COMMUNITY LAND TRUST

"Resonance has been invaluable in providing financial backing for our six self build affordable homes – now nearing completion. As the Project has developed, we have found them easy to communicate with and very responsive to our changing needs and circumstances."

Richard Hickman, Chair Broadhempston CLT

Case Study: Broadhempston

Broadhempston Community Land Trust (CLT) is a community-led organisation that embarked on developing six self-build homes in south Devon. Due for completion in 2016, each household will receive a 25% stake in the property they have built in return for their labour and will pay rent on the remaining portion. Those rents will be set at 66% of the open market rate so that they're affordable and a small proportion of the rent will go towards occupiers owning a little more of their house each year.³

To become a self-builder at Broadhempston, applicants had to demonstrate being resident in the parish for the preceding two years (or for five years at some time in the past). They also had to have a total household income of less than £60,000 and commit to regular construction training, completion of their building work on time, and helping others on the site, including a commitment to a minimum of twenty hours per week on the project. The training for the self-builders should also help minimise the costs of maintaining the homes in future.

The self-builders all work in the local area and their children attend the local schools. The average length of occupancy for self-builders is around twenty five years, so everyone expects the families to stay for the long-term.

The Affordable Homes Rental Fund (AHR) has committed £880,000 of investment to help make Broadhempston CLT a reality and it's now attracting some attention: other CLTs and self-build groups have visited the site; the School of Architecture at Plymouth University; South Devon College students in carpentry and plastering; and plenty of volunteers from family members to probation service users, to overseas volunteers have been helping out. The level of interest has got so intense that the CLT has asked the Princes Trust to help resource a mentoring and support scheme for other groups who want to learn from their experience.



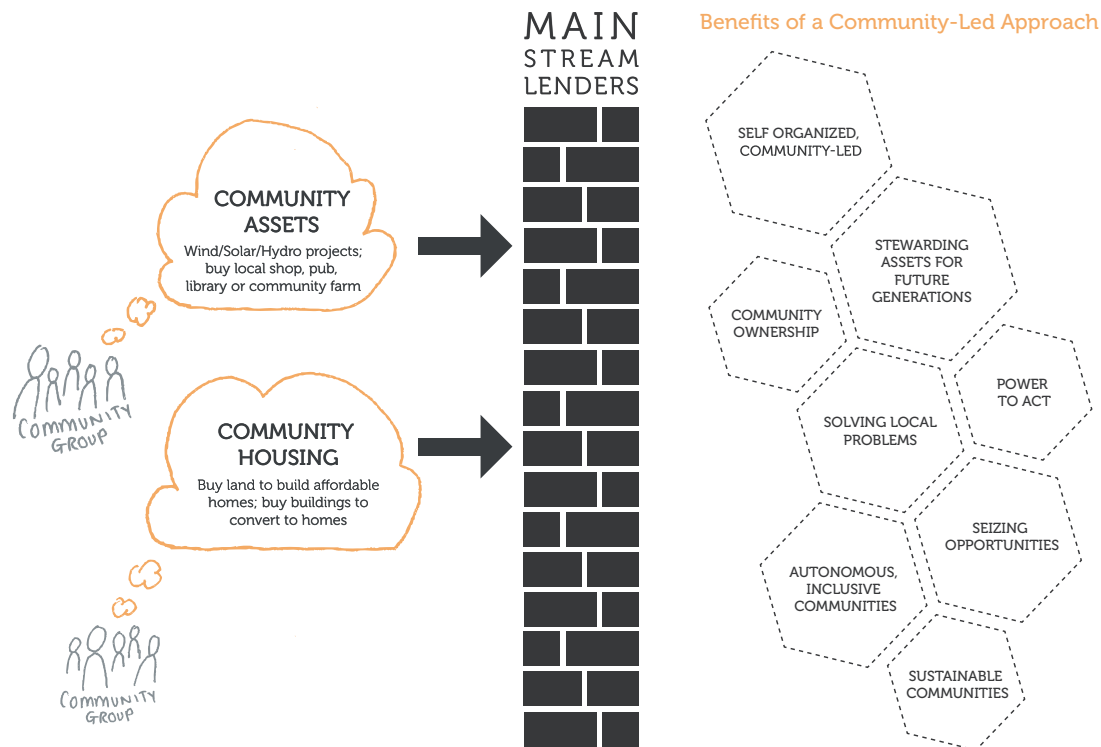
³ Currently, the target at Broadhempston is for 1% of rents going towards owning a little more equity in the homes each year

1. Introduction

In recent years there has been a renaissance of community-led social enterprise around the country. Partly this has been 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 things. But, whatever the reason, it is catching on as more and more communities see the potential to realize their projects, deliver much needed local services, strengthen community cohesion, share ownership of local assets, and democratically govern them for the long term benefit of the community.

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

- There's a problem in need of a solution
- The community that cares about it the most: organizes itself, works out how to fix it, and figures out the financial price of that
- The search begins for the money to make it happen
- Mainstream finance does a bad job of helping out
- The community looks at social investment
- They choose Resonance if our funds suit their needs⁴ for:
 - » Affordable community housing
 - » Community shares to buy assets they want to build or preserve for community benefit



⁴ We do finance for other things too (health and social care, criminal justice, education, culture, youth development, 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 to buy assets? Because we listened to what communities were asking for when they called us. Actually, that's how we build all of our Funds; by listening to the demand for investment which comes from good social enterprise across the country.

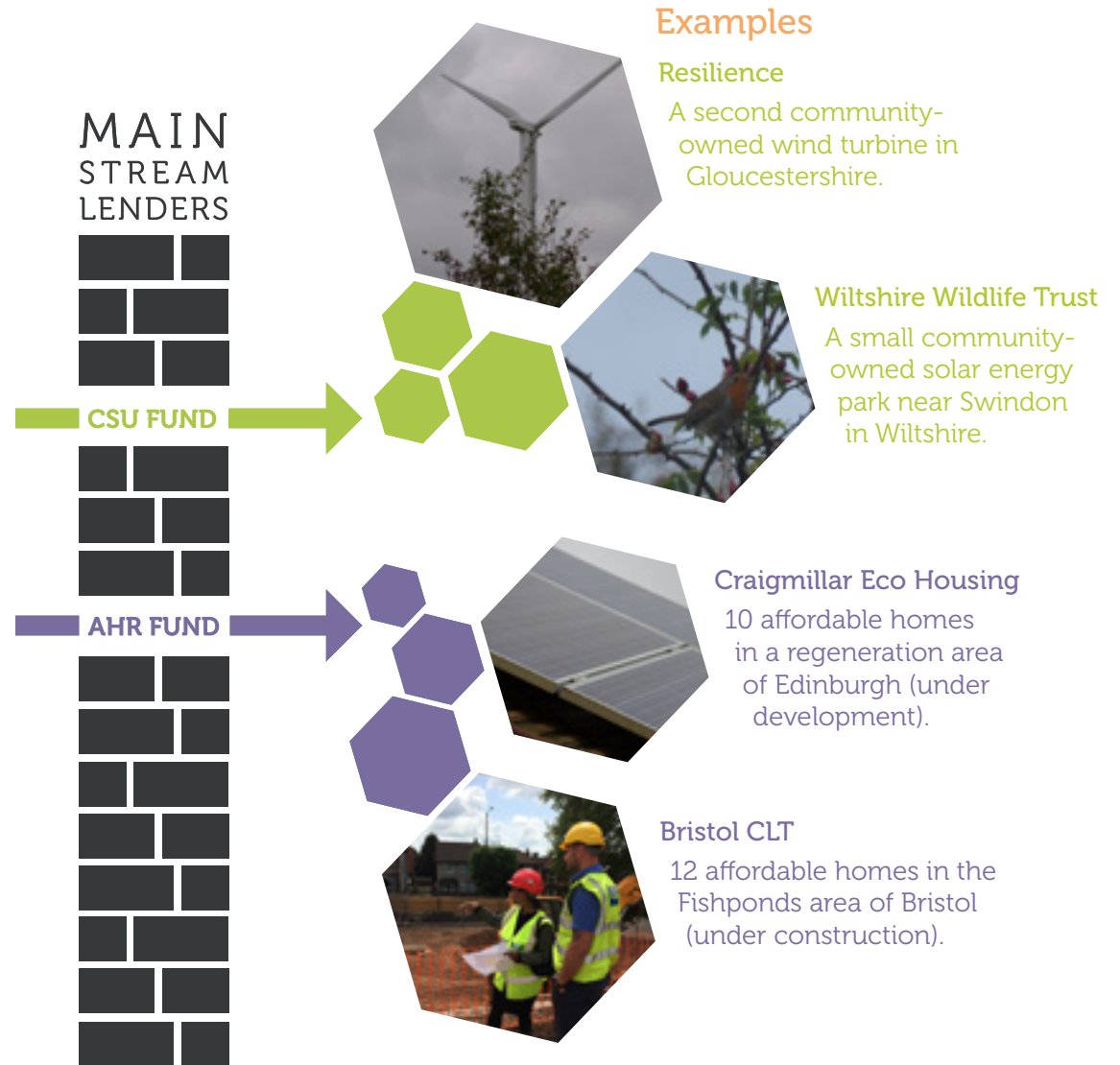
That's how our community-lending arm, Community Land & Finance CIC (CLF), was born. It works with communities to get their solutions off the ground, using two linked funds: flexible finance for affordable homes and cash to support community share issues. These Funds encourage communities to get their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

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

We can only do that with the right kind of money of course. So we work with some enlightened investors who invest in these Funds to get things done. They believe in communities in the same way we do: giving them a chance to do things for themselves by providing investment at a sensible price and with the right amount of patience to allow communities the space to flourish.

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

This, our third social impact report, is the story of that in 2014-15.



2. Community Share Underwriting Fund (CSUF)

The Community Share Underwriting Fund (CSUF) exists to support community groups that want to acquire or create assets funded through community share offers (where people become not only customers of a service, but owners of it too). It makes it possible for communities to make projects happen and to keep the ownership in the community, so that things are less vulnerable to the decisions of distant, disconnected institutions.

The CSU Fund fixes the problem of community share funded projects stalling because they can't 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:

- (i) Before – CSUF builds confidence in a share offer before it launches by offering Resonance's backing. The message to other investors is: This deal is going to happen, so please come and join in.
- (ii) During – CSUF adds momentum to an offer which is already underway; where the message is: we've had a big boost towards our target, please come and add the vital last bit and make it happen.
- (iii) After – CSUF can help with bridging the gap that might open up at the end of a share offer, which hasn't quite reached its target. The message to other investors is: stay with us, we've found a way to unlock the deal.

CONFIDENCE

CASE STUDY: Resilience

ISSUE:

Resilience already had a successful track record with commissioning a wind turbine project through community funding in Gloucestershire, however, they wanted to give their subsequent share offer, for another wind turbine, the best chance of success.

HOW CSUF HELPED:

How CSU helped: Resonance engaged with Resilience before the share offer was launched and was able to advise the group and discuss best practice approaches which fed into their overall share offer proposal. The CSU was able to support the project by underwriting £600,000 of the fundraising target; providing confidence to community investors that their money would result in success as long as the fundraising made it past the half way mark. It did make it, the turbine was commissioned and the Resilience Centre is now planning a community share offer launch in 2016 to repay the CSU loan and have full community ownership.

CONSIDER PROJECT



PLANNING A SHARE OFFER



SHARE OFFER OPEN



MOMENTUM

CASE STUDY: Wiltshire Wildlife Trust

ISSUE:

The community group had raised a fifth of the money they needed for their community-owned solar energy park by half-way through their time for the share offer. They needed some more momentum to catch up.

HOW CSUF HELPED:

Resonance agreed to underwrite a little over 20% of the share offer target, to boost the progress of the fundraising. This provided the much-needed momentum for the project, resulting in the fundraising target being met and the work getting underway.

BRIDGING

CASE STUDY: Chelwood Community Energy

ISSUE:

The community group launched a share offer for the commissioning of a 5MW community owned solar farm in Bristol. Their share offer closed just short of their fundraising target.

HOW CSUF HELPED:

Chelwood raised £2.45m against their share offer target of £2.7m. Resonance was able to support the project by providing the finance to close the gap of £0.25m, allowing the group to press ahead with their project.

The overall impact is to help build sustainable and resilient communities, which have the ambition and organization to succeed.

That means we don't mind when communities create so much confidence or momentum that our money doesn't get used in the end. Sometimes, just offering it is enough to help generate success. That's ok, because even though we've not actually had to invest from the Fund, it means we've helped something happen and can use the money that we would have invested in another project. It means we get more projects to happen than the money we've got in the Fund. That's an impact success. **This year, in addition to the projects actually invested in by the Fund, we've helped another four more projects happen this way without ever needing to invest.**

Our aim is also to always leave organizations stronger than before they engaged with us, no matter what the outcome. Very often this means the due diligence process for the Fund examines the governance & management, financial model, social impact, business model, market and other dimensions as part of helping decide whether we could invest. So even when we don't, the organization has typically improved its strength, resilience and sustainability in the process.

SHARE OFFER
CLOSED



START
PROJECT



BUILD
TRACK
RECORD



EVENTUALLY
RE-FINANCE



More detail

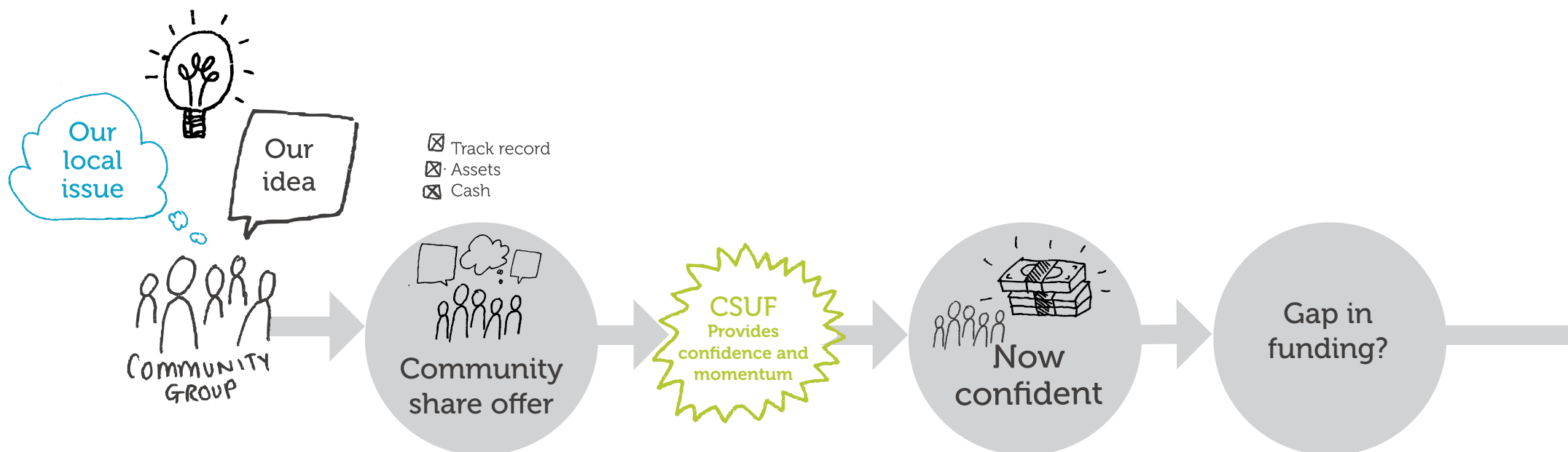
Confidence - Resilience

The Resilience Centre, along with a local farmer/landowner, established a Community Benefit Society (a particular legal structure designed to allow community shares to be offered to local people so they can own and control community assets). The ambition was to begin to create resilient communities by facilitating local ownership of renewable energy projects. This would generate clean energy and a financial surplus to spend in the local community.

Resonance 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 money from the share offer, the CSU Fund enabled the project to go ahead as planned.

Momentum - Wiltshire Wildlife Trust

Wiltshire Wildlife Community Energy was established by a group of local people passionate about community resilience and self-determination, cheaper energy, greater local value and the recycling of profits into supporting wildlife conservation as well as mitigating climate change. They sought to raise £2.7m through a community share offer to install a small solar park generating green energy near Swindon. The CSU Fund agreed a £600,000 underwriting facility for the community share offer during the launch period that gave the fundraise significant momentum and ultimately the target total was raised.



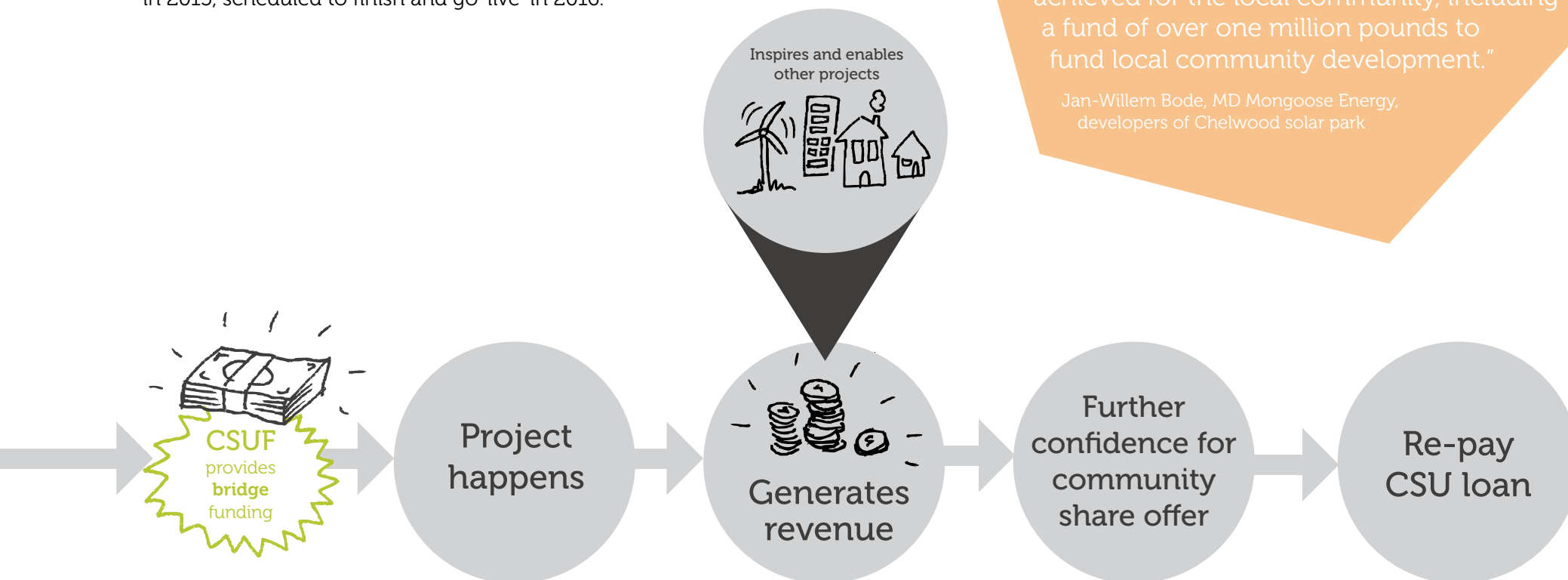
Bridging – Chelwood Community Energy

The total cost of the Chelwood solar park was £5.8m, comprised of £3.1m of bank debt from Triodos and the remaining £2.7m targeted as community shares. The share offer reached £2.45m by the closure date, leaving a tantalisingly small gap of £0.25m that Resonance was able to provide from the CSU Fund to unlock the project. Chelwood Community Energy now aims to put up to £1m over the lifetime of the project into community priorities, including energy conservation, action on fuel poverty, electric vehicles for community transport and access to high speed broadband. Construction of the project began in 2015, scheduled to finish and go 'live' in 2016.

MD MONGOOSE ENERGY

"A new community energy group in Chelwood, North Somerset, fell short of their target fundraising by a quarter of a million pounds after having raised two and a half million pounds via a community share offer and a loan of three million pounds from Triodos Bank. A loan from Resonance filled this gap, ensuring that the project could not only go ahead but that full benefits would be achieved for the local community, including a fund of over one million pounds to fund local community development."

Jan-Willem Bode, MD Mongoose Energy,
developers of Chelwood solar park



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's 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) guidance and signposting to projects at an early stage;
- (ii) up to 100% of the finance for housing that is ready for construction; and
- (iii) flexible loans for homes that are already built.

In all cases 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), a particular kind of organization specially designed to make it easier for local people to own, control and steward local affordable housing projects. If you're not familiar with CLTs, there's a little more explanation in Appendix 2.

GUIDANCE

CASE STUDY: Craigmillar Eco Housing

ISSUE:

The community group wanted to build ten affordable homes in a regeneration area of Edinburgh and needed guidance and advice on how to go about this because it was their first project.

HOW AHRF HELPED:

Resonance engaged with the group early on and advised on pre-development funding (that is, the finance to pay for all the work up to and including gaining planning permission) and the governance for their project (who was legally responsible for their project and the balance of skills needed to make it happen).

100% FUNDING

CASE STUDY: Bristol Community Land Trust

ISSUE:

The Community Group was looking to create twelve affordable homes but was unsure of the mix of homes that should be for affordable sale vs those for affordable rent.

HOW AHRF HELPED:

Resonance worked closely with the team to provide a flexible loan that would accommodate different amounts of property for sale through shared equity (where the occupier owns a proportion of the equity in the house, so finds it easier to buy) and property for rent.

PLANNING AND PRE-DEVELOPMENT



CONSTRUCTION OF THE HOMES



FLEXIBLE LOAN

CASE STUDY: Cornwall Community Land Trust

ISSUE:

The community group required funding to replace a development loan from the local council, with which they had agreed to build a number of affordable houses.

HOW AHRF HELPED:

Resonance provided a tailored loan to Cornwall CLT that allowed them to replace 100%, of the development loan from the council and give the project a stable and resilient financial base for the future.

CRAIGMILLAR ECO HOUSING PROJECT

"We have been impressed with the level of support and input through a lengthy pre-development process. Our dealings with Resonance, including extensive direct assistance from the team managing the AHR Fund, have been first class and we would strongly recommend Resonance to other social enterprise ventures."

David Howel, Consultant, Assemble Collective Self Build, partners in the Craigmillar Eco Housing project

BRISTOL COMMUNITY LAND TRUST

"In early discussions with Resonance, Bristol CLT was impressed by its readiness to support our plans for self-finish and other non-standard elements in our first project. We have since continued to work with Resonance to secure all the finance for this project of twelve homes. Being able to borrow the maximum sum against rent, shared ownership rent and feed-in tariff income, has given us invaluable flexibility in achieving a viable scheme and the medium term loan gives us time to re-finance with a community share issue or with longer-term finance as a track record of repayment will have been established."

Keith Cowling, Chair,
Bristol CLT.

CONSTRUCTION COMPLETED



HOMES RENTED TO LOCAL FAMILIES



BUILD TRACK RECORD



EVENTUALLY RE-FINANCE



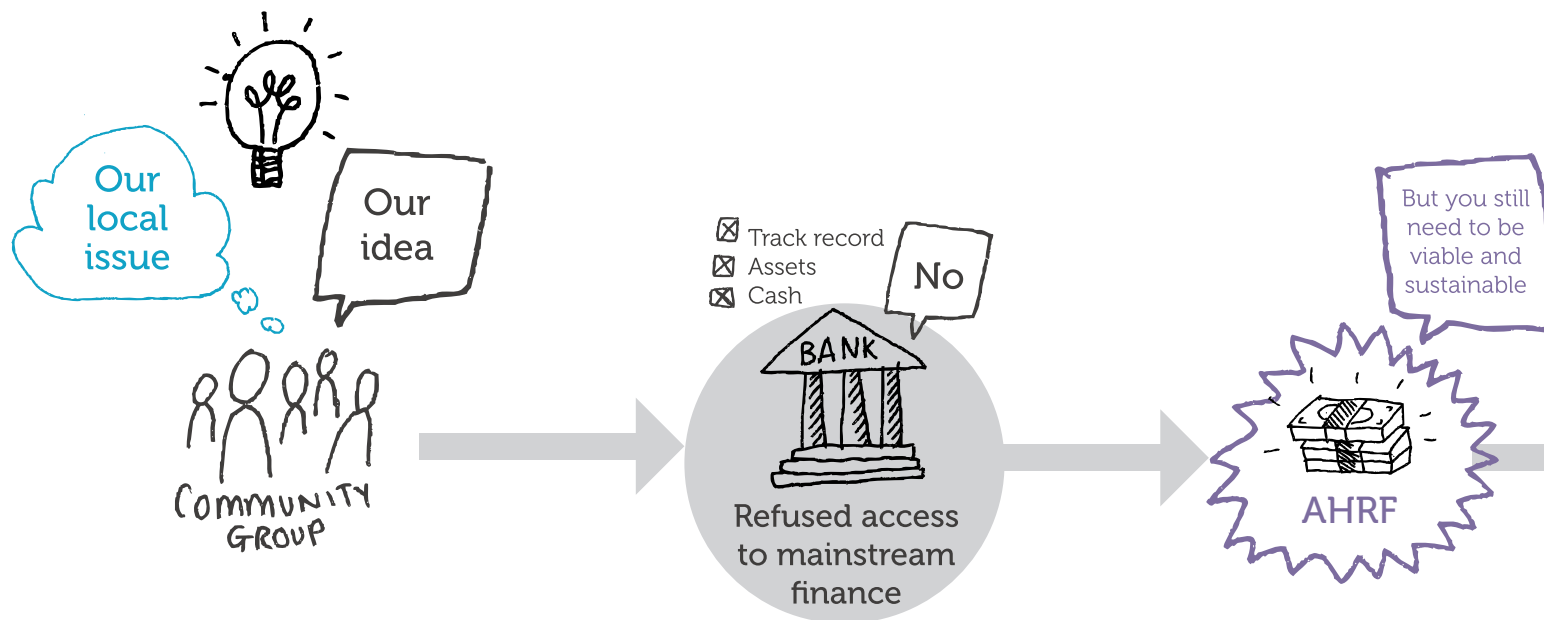
More detail

Guidance - Craigmillar Eco Housing

The community group wanted to build ten affordable homes in a regeneration area of Edinburgh and wanted guidance and advice on how to go about this, given it was their first project. They engaged with Resonance at the early planning stages and we provided them with guidance on how to fund their pre-development costs in order that they could move forward and gain planning permission. Resonance also worked with the team to provide guidance on best practice for governance for their project as well as helping them to build financial projections for their business and working with the group to design loan finance for their project. They're currently experiencing some delays, but aiming to get back on schedule soon, hopefully with AHR support.

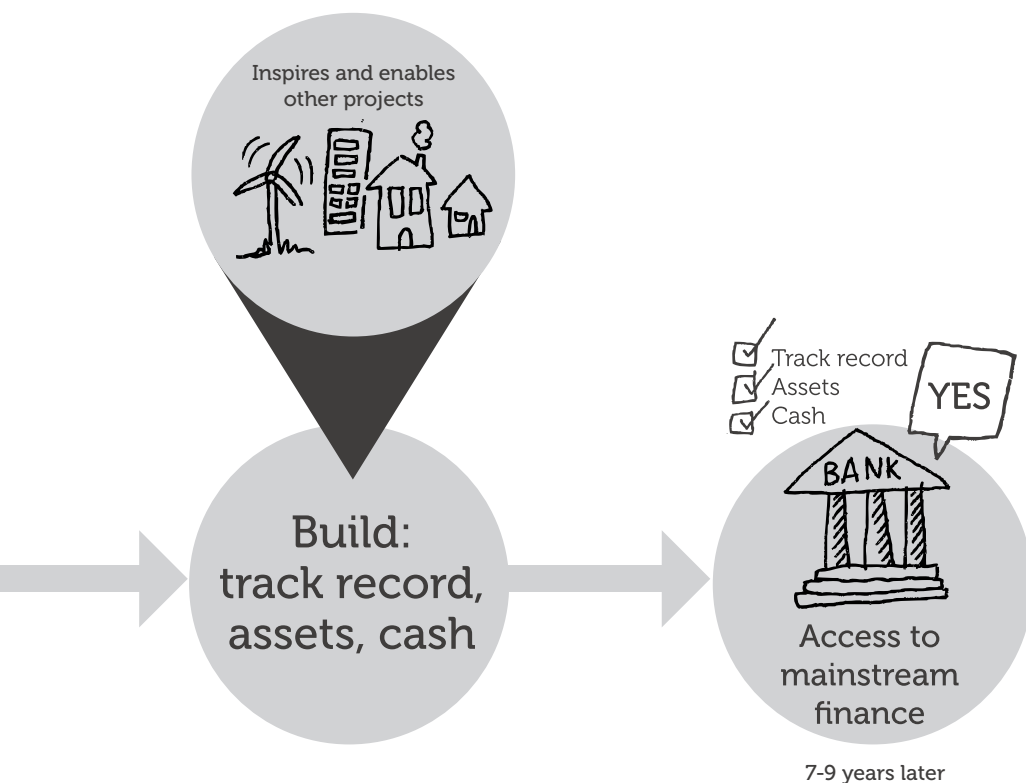
100% Funding – Bristol Community Land Trust

At the time Resonance took on the loan application, the community group was looking to create twelve affordable homes but was unsure of the demand from local people for shared equity (where occupiers partner with someone else, usually the CLT, to buy the equity in their home) and rental property. The solution was to provide a flexible loan that would allow all the homes to be rented or all of them to be sold as shared equity, or any mixture of the two. This would save the community group flexibility and ultimately serving the need and requirements of local people best – according to the demand at the time. For the portion of the project that is eventually sold on an affordable basis, the loan will be repaid early allowing the AHR Fund to recycle this into other projects around the country.



Flexible Loan – Cornwall Community Land Trust

The community group required funding to replace a development loan from the local authority, with which they had agreed to build a number of affordable houses. They did not want to rely on grant finance to replace the local authority's money because that was becoming harder to find and unlikely to be available for the amount they needed. Resonance worked with the team to offer a tailored loan for 100% of the medium-term funding required to replace the council's short term development financing.



4. Community impact

Resonance is a demand-led social investment company, which means, in practice, that it doesn't create funds and then try to sell them to enterprises that haven't asked for them. Instead, we listen to what communities are asking for and then design the financial solution to best fit the need.

So it is 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're trying to fix, the people they're trying to help and the support they need the most; so we can tune-in our financing solutions to produce the greatest impact for the greatest number of people, with a long term perspective.

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, a solar project, a local pub, library or something else) is acquired or created, it must be stewarded for future community benefit. Community groups provide the framework for that 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 or 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 like affordable housing, but 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" becoming the "really poor" so, rather than being resigned to the inevitability of financial catastrophe for people, communities intervene to do something about it.
- Others are more indirect, such as green energy projects that generate cash to be recycled to help beneficiaries through, for example, tackling local food and 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 aggregated number of homes, or energy projects, or other things, does make a significant difference. They're part of a movement and, in contrast to mega-projects, they are often much better able to target a specific issue than a large-scale national solution and, together, they can have a significant impact. For example, a Community Land Trust can deliver a niche scheme for local families where a Housing Association probably wouldn't.

Once a model for local action happens in one place, it inspires others and can be more easily replicated. That's 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, and of the demand from local communities for their own solutions.

So what is the impact?

Because we start, and finish, with social impact, 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 that underperform in that respect.

We use a specific matrix of criteria to assess the impact of community projects we support. These are explained in some more detail in the next section.



5. How do we measure impact?

We always start, and finish, with social impact. Otherwise, our work would be just investment, not social impact investment. And that means, of course, measuring the social impact 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 it's the conversations that happen around those questions, which make the process important – engaging with the Directors to strengthen the organisation together.

In a practical sense this means that, even when we don't end up investing in applicants to our Funds, the organisations get lots of value from the process.

In a significant number of cases, the community group does such a good job of preparing itself for investment that it is able to raise all the money it needs without the backing of our Funds. We count that as success.

If they get there with our help, but not with our money, we're ok with that, because we can use the money to help another community. The analysis of our Funds shows this very clearly, especially in the Community Share Underwriting Fund (CSU) where, for example, we made offers of £1.8m to three groups in 2014-15 that were not taken up because the community raised the full amount from community shareholders, as a consequence of our support. That meant we could recycle the money that we didn't invest and make more offers to other communities.

In 2014-15, this was enough to support three more communities than we otherwise could have (eight since we launched the CSU Fund).

We want to help communities:

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

.....so both Funds measure things directly related to those themes, to see if our investment is helping more of that to happen.

The next few pages tell the story of how our Funds measured up in 2014-15.

Community Share Underwriting Fund (CSUF)

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

Criteria			
Unlocking retail investors' confidence	Catalysing momentum for community benefit	Enhancing community ambition	Community transformation
Measures ⁵			
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		4c) Revenue distributed
	2d) Amount raised from local investors		4d) Issue focus
			4e) Annual number of non-members benefiting

At the stage where projects come forward to the Community Share Underwriting Fund (CSU), we use these criteria to give each a score, so that our Investment Committee can compare different projects. It also allows us to report back, embodied in this report, on how CSU projects are doing.

⁵ Not all of the data are derived from the same projects as a base because some data were not available for every project underwritten.



Unlocking retail investors' confidence

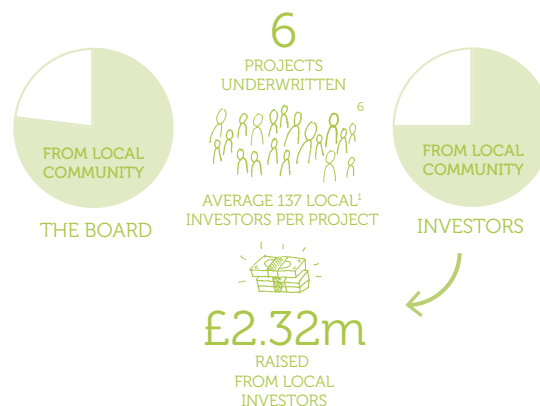
The Resilience Centre is a good example of unlocking retail investors' confidence where the first wind turbine project gave the group (and their investors) the courage to take on a second turbine, with a share offer underwritten by the CSU Fund. Commissioning the second turbine raised the confidence of the team to plan a third project, this time for two more turbines, which we hope also to consider for underwriting. Another way to look at this measure of unlocking retail investors' confidence is to look at how much our underwriting money has multiplied or leveraged itself. In 2014-15, this meant our underwriting offers unlocked 3.5 times as much in community share funding and 6.4 times as much in total project investment.

The ratio of underwriting taken to offered (21%) is not a wholly accurate reflection, since it represents some offers which were made during the financial year 14/15 but for which it was not yet clear at the end of the financial year whether drawdown of the underwriting would be needed. Over the life of the Fund to date, the average ratio of underwriting taken to offers made is 44%.

⁶ We define local investors as those from the neighbouring postcodes to the project or within the county where the project is located

⁷ When we try to measure additionality and ambition, we ask communities how many new projects they've created since the one(s) we backed with underwriting. It's a marker of the growth of community solutions.

Catalysing momentum for community benefit



ECODYNAMIC

"Working with Resonance helped make the project viable and ensured a smooth execution of the initial transaction and share offer. Resonance has a very professional approach and has been incredibly supportive of a small, leanly-run community organisation."

Robin Evans, Chair, Ecodynamic

STOCKWOOD

"The project would not have happened without Resonance's help. Resonance is a vital strategic partner that has guided the decision-making and organisational development we needed to succeed in our fund raising."

Sebastian Parsons, Chief Executive, Stockwood

Enhancing community ambition

Community ambition can be approximately measured by these metrics, but underneath that are the human stories that make up the numbers.

At Somerset CLT, for example, one of the members took a passion for food and turned that into growing vegetables in the garden for distribution to the local food bank and at 'Open Door' – a local homelessness project. Not only that, but the project has also attracted new local people into the mix including one volunteer for regular maintenance work, which should help him on his journey towards employment as part of his Job Centre Plus programme. Another new volunteer is keen to share skills in building and planning and may be invited to join the Board to add to the skills of the CLT.

Case Study: Osney Lock Hydro

Osney Lock Hydro is a community-owned hydroelectric scheme on the river Thames in Oxford. This year, the project drew CSU underwriting Funds of £150,000. Their share offer raised £640,000 in an astonishingly-short five weeks.

60% of the Board is from the local community; 133 investors are from the local community – 40% live within a mile of the project, 82% from within Oxfordshire; and 55% of the profit generated from the hydro project is allocated for community benefit (projected to be more than £2m over the forty year life of the scheme).

The project includes public space, a learning centre for anyone to visit and a fish pass that opens-up that stretch of the river for the first time in two Centuries making an enormous difference to the biodiversity and health of the river. The investor survey conducted soon after the share offer indicated that two thirds of shareholders wanted to get actively involved in the project, not just provide the funds. The annual general meetings are always packed and the team has conducted surveys with visitors, local primary schools, residents, university teaching staff, and others to embed the project in the Oxford community. More than four hundred visits have been made so far in the early life of Osney Lock Hydro. Underwriting such a successful project has been a privilege and a lesson in how underwriting can support communities in realising their ambitions.



OSNEY LOCK HYDRO

"The loan provided a vital piece of the financial jigsaw that enabled us to get on with the project. Resonance helped steer us through the surprising complexities of the legal process that are involved in securing a loan."

Saskya Huggins, Director,
Osney Lock



Community transformation

When communities set up a project, some of the money generated gets used to pay costs, including staff, maintenance and financing, and the rest is surplus or profit. The project has intrinsic value to the community, however, in addition to that, the higher the proportion of financial surplus that can be spent on community benefit, the more resources communities have to develop the next project and support more local people.

Stories are measures too, which is why the story of Osney Lock Hydro illustrates the metrics of the Community Share Underwriting Fund with a real example:

Affordable Homes Rental Fund (AHRF)

For the Affordable Homes Rental Fund, the measurement metrics are built around supporting community stability, security and sustainability for the future. It's 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:

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		5b) Total AHRF investment
	2c) Energy efficiency rating of homes	3c) Children added to local school roll		

Against these criteria, the headline metrics of the Affordable Homes Rental Fund for 2014-15 look like this:



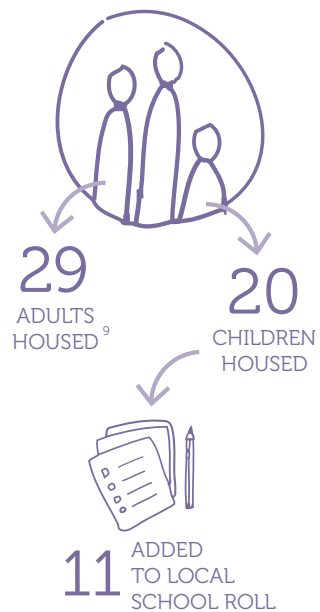
Community leadership

At Broadhempston, for example, there are a dozen board members and self-builders on the project, which we might describe as the core team of twelve. However, in addition to the core team, the project has attracted myriad volunteers from the local community who have been supporting the work on the site by committing many hours of their time to help make the project the reality it now is. fourteen apprentices from South Devon College; thirteen offenders on the Community Payback Scheme (where they have been given a community sentence to work unpaid on projects that benefit communities); and another forty friends and family have been helping out.

Affordability

At Bristol CLT, for example, initial occupiers will pay 80% of local reference rents (that's the average rent for properties of the same size in the area), which itself helps with affordability. However, a further innovation is to encourage the first occupiers of the homes to finish them using their own labour in return for a further reduction in rent that recognises their work as 'sweat equity'. 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's never quite enough left from household income to put something away for a rainy day, or a deposit on a house).

⁸ Nationally, only 36% of properties in the UK are as energy efficient as this



Community sustainability



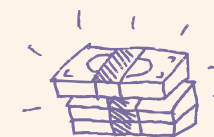
12-60¹⁰
MONTHS
LENGTH OF
TENANCY OFFERED

Security of tenure



17
HOMES
DELIVERED

Additionality



£1.13m
TOTAL
INVESTMENT

⁹ Where projects were financed but not necessarily finished and occupied in the financial year, we count the numbers that will be housed when the project is completed.

¹⁰ This reflects the fact that at Homes for Wells, the organization offers stable 5 year (60 month) tenancies, with a 12 month probationary period

The example of Craigmillar eco housing co-operative gives a little more colour to these numbers. They're a community group with whom we've been working since 2012-13 and, although the group hasn't yet secured funding from AHRF this year because of some slight delays, their story is relevant:

In terms of community leadership, the Craigmillar team is by, for, and of, the community it serves with all the members of the co-op having had long-standing links to the community. Each of them is either a native resident of the Craigmillar area of Edinburgh or has been relocated there through regeneration plans.

In terms of affordability, Craigmillar eco housing will be offering their homes at 90% of the local market rent, which is a little higher than the conventional 'affordable' definition of 80%. However, with homes built to the Passivhaus energy efficiency standard, the energy costs of the homes will be nearly zero. Taken together, the total amount spent on living in the homes comfortably meets our affordability criteria. It's not just rent that defines affordability. They expect to build ten houses that will become home to fourteen adults and five children who will go to the local (brand new) school, which will add to community sustainability for the area, with the confidence that comes from rental agreements to help with security of tenure in this case; helping people find the stability and confidence to put down roots and build a family and community life together.

The local authority has taken a keen interest in what this community group is doing as a model for future housing initiatives. The Craigmillar area of Edinburgh is itself the subject of a significant regeneration plan for three hundred homes, retail space, and a new school. The housing mix includes social housing, private housing, and the Craigmillar community model of housing. Additionality in this case therefore comes from the significant potential for this project being replicated in other communities too, as well as the more obvious metrics of ten additional homes and potential future AHR investment of around £0.9m.

In short, Craigmillar eco housing co-operative is an emblem of why we have the Affordable Homes Rental Fund: helping people build stable, autonomous, affordable lives for themselves in communities they'll want to be part of.



6. Part of something special

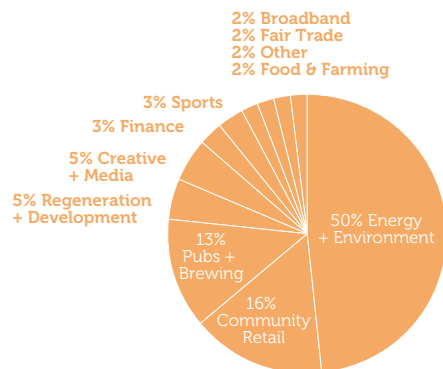
Social investment in community shares and affordable housing is a growing movement and something we, and the investors in our Funds, are committed to be part of. This section tells the story of where we fit in.

Resonance's Community Share Underwriting Fund is serving a big demand from communities across the UK who want to take control of their own destiny.

The nearest comparison we can make to show our part in the community shares movement is with the UK data¹¹ for 2014, which looks like this:

COMMUNITY SHARES

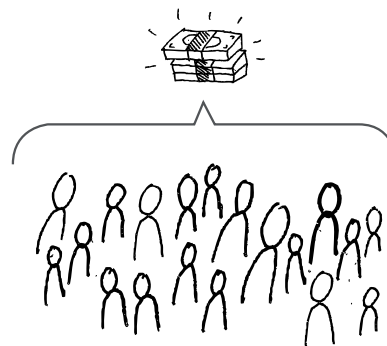
What types of projects are there?



This pie chart shows which issues communities are tackling through community share offers. More than three-quarters of the share offers issued in 2014 were created so that communities could generate their own renewable energy, resuscitate the local shop, or save the local pub.

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

£22 million raised
from over
5,000 shareholders

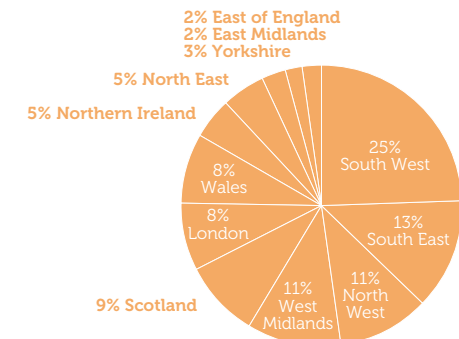


The gap between the target (£34m) and the amount actually raised (£22m) is a very good definition of the need for the Community Share Underwriting Fund: not every community share offer reaches its target; we help close the gap for a number of those projects.

How many share offers were undertaken?

64

Where are they?



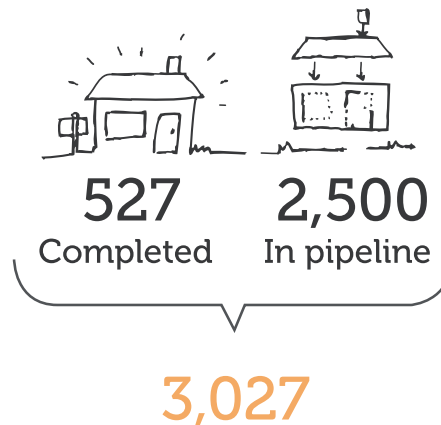
This pie chart shows that the South West is the most active region when it comes to community share offers. It is therefore no accident that our Community Share Underwriting Fund is also most in demand in the South West (please see Appendix 5).

AFFORDABLE HOMES

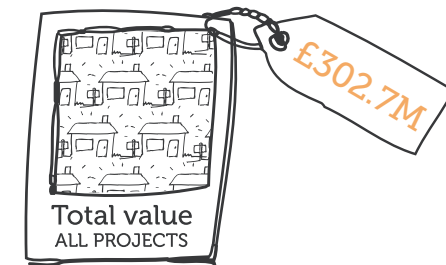
How many CLTs
are there?



How many community-led
affordable houses are there?



How much did
they cost?



Our Affordable Homes Rental Fund principally invests in Community Land Trusts (CLTs), which are becoming a big part of fixing the problem of unaffordable local housing in this country.¹²

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

There are one hundred and seventy five CLTs in the UK at the moment and that's growing every month.

So far, those CLTs have completed five hundred and twenty seven affordable homes and they have something like 2,500 homes in their plans for the near future.

At an average of £100,000 each to build, that's £52.7m already delivered; and £250m to come.

¹¹ With our thanks to the Community Share Unit for allowing Resonance to use their data for community share offers in the UK.

¹² There's a little more explanation of CLTs in Appendix 2 to this report.

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	AHR	Loan finance taken	£110,000	£110,000
2	Cornwall CLT - project 2	Community owned affordable housing - refinancing	AHR	Loan finance taken	£90,000	£90,000
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	Holsworthy CPT - project 1	Community owned affordable housing - refinancing	AHR	Loan finance taken	£100,000	£100,000
6	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
7	Ecodynamic CBS	Community owned wind turbine project	CSU	Underwriting taken and drawdown, matched by community share funding	£350,000	£80,000
8	Homes For Wells CBS*	Community owned affordable housing - conversion	AHR	Loan finance taken	£1,370,000	£400,000
9	Stockwood CBS - project 1*	Community owned business park and farm	CSU	Underwriting taken and drawdown, matched by community share funding	£2,800,000	£200,000
10	Cornwall CLT - project 3	Community owned affordable housing - refinancing	AHR	Loan offered, however, project was financed through grant funding	£370,000	£370,000
11	Holsworthy CPT - project 2	Community owned affordable housing - development	AHR	Loan offered, however, planning was declined	£190,000	£190,000
12	John Cleveland CBS	Community owned renewable boilers for local college	CSU	Underwriting taken, leading to fully subscribed share issue	£640,000	£50,000
13	Middlesbrough CLT	Community owned affordable housing - empty homes conversion	AHR	Loan offered, however, project was financed through grant funding	£360,000	£200,000
14	Cornwall CLT - project 4	Community owned affordable housing - development	AHR	Loan offered, however, project did not receive grant funding required	£140,000	£100,000
15	Cornwall CLT - project 5	Community owned affordable housing - purchase	AHR	Loan offered, however, price could not be agreed by community group with vendor	£80,000	£60,000

* Indicates projects supported in the financial year to which this report relates

	Community Group	Project	Fund	Status	Total project	Approved for investment
16	Osney Lock CBS*	Community owned hydro electricity project	CSU	Underwriting taken and drawndown, matched by community share funding	£670,000	£150,000
17	Holsworthy CPT - project 3	Community owned affordable housing - development	AHR	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	CSU	Underwriting taken and drawndown, matched by community share funding	£410,000	£130,000
19	Low Carbon Gordano CBS*	Community owned solar farm	CSU	Underwriting taken, leading to fully subscribed share issue	£2,100,000	£600,000
20	Bristol CLT	Community owned affordable housing - conversion / new build	AHR	Loan offer accepted and undergoing drawdown	£1,800,000	£1,200,000
21	Broadhempston CLT*	Community owned affordable housing - self build	AHR	Loan offer accepted and undergoing drawdown	£880,000	£880,000
22	Bath & West Community Energy (Wilmington)*	Community owned solar farm	CSU	Underwriting taken, leading to fully subscribed share issue	£2,600,000	£600,000
23	Wiltshire Wildlife Trust*	Community owned solar farm	CSU	Underwriting taken, leading to fully subscribed share issue	£6,100,000	£600,000
24	Oxfordshire CLT	Community owned affordable housing - development	AHR	Loan approved however project on hold	£900,000	£640,000
25	Resilience Centre CBS - Alvington	Community owned wind turbine project	CSU	Underwriting taken and drawndown, matched by community share funding	£1,850,000	£600,000
26	West Oxford Comm Renewables	Community owned solar project on a school	CSU	Underwriting taken and drawndown, matched by community share funding	£312,000	£140,000
27	Chelwood Comm Energy	Community owned solar farm	CSU	Underwriting taken and drawndown, matched by community share funding	£5,800,000	£600,000
28	Low Carbon Hub CBS	Community owned roof mounted solar	CSU	Underwriting taken and drawndown	£1,370,000	£600,000
29	Stockwood CBS - project 2	Community owned farmland - expansion of biodynamic farm	CSU	Loan offered and accepted, share offer live	£600,000	£200,000
30	Craigmillar	Community owned affordable housing - new build	AHR	Loan approved however project on hold	£930,000	£930,000
31	Resilience Centre - Mounteneys	Community owned wind turbine project	CSU	Loan offered	£2,750,000	£600,000
TOTAL					£37,462,000	£10,980,000

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 - 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.

APPENDIX 4 - What is social impact investment anyway?

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.

The UK is setting the pace for a growing international movement towards social impact investment. It's beginning to feel like the 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 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.

The amount of money invested in sustainability, for example, jumped by 20% to \$46bn in 2013. Some estimates put the global social impact investment market at a future size of \$3trillion.

In the US, the grandson of Warren Buffet (widely considered to be the most successful investor in the world) has just created i(x) – a new company setting out to invest \$100m a year in social impact. In the words of the co-founder: "the research is clear...companies that do good in the world return more profits to their shareholders than their counterparts...those who do harm."¹³ Japan is exploring setting up the equivalent to the UK's Big Society Capital (currently investing £600m in social impact through companies like Resonance).

In the UK, new money is flowing into impact investment through organisations like 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 the five 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.

¹³ <http://www.forbes.com/sites/realspin/2014/09/20/is-social-impact-investing-the-next-venture-capital/>

APPENDIX 5 - Data on loans and their geography to date

Community Share Underwriting Fund:

Total project value, share offer raised, underwriting approved and funds drawn: inception to date

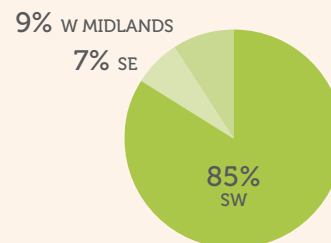
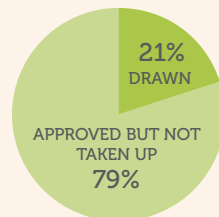
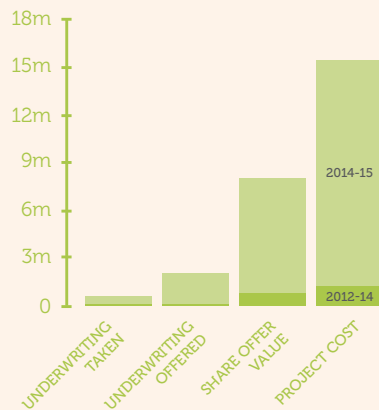
This graph shows the rapid growth in demand for the CSU Fund in 2014-15. Only £0.125m was approved as underwriting up to 2013-14, but nearly 20 times as much (£2.275m) was approved in 2014-15. We've learnt how long it takes to establish a fund and make it visible to those people who could use it.

Value of underwriting approved and drawn 2014-15

This chart shows that the underwriting model of the CSU Fund is working especially well in unlocking retail investors' confidence (one of our fundamental metrics). In 2014-15 we approved £2.275m of underwriting, only £0.475m (21%) of which was drawn down by the projects that same year, because the others raised the full amount with our support but without needing our money. It meant that we could recycle the money that wasn't drawn to support other community share offers. Over the life of the Fund to date, the average ratio of underwriting taken to offers made is 44%.

Distribution by geography

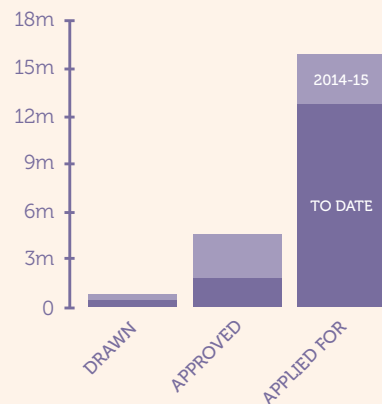
We approved underwriting for projects from three regions in 2014-15. This chart shows the strength of community demand in the south west of England in particular for that year. It's not only Resonance funds that show a pattern of demand towards the south of the country either, as shown in section 6. More recently however, we are seeing increasing demand from projects in the north.



Affordable Homes Rental Fund:

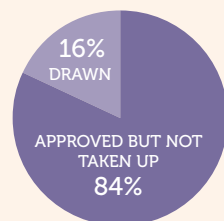
Investment applied for, approved and drawn

This graph shows that, in contrast to the rapid growth in demand for CSU funding, the demand for AHR Fund investment slowed down in 2014-15. We think this was because the Fund was getting close to full deployment, and because it has a fixed date (2022), by when the investment has to be repaid, so became more challenging for community groups to meet the timetable. For the future, we expect to re-design this so that we have more investment available, and it's more flexible, so we can better serve the demand for one of the most challenging problems in contemporary society: the lack of affordable housing.



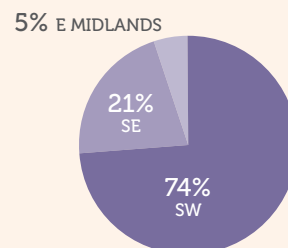
Proportion of funding approved and drawn 2014-15

During 2014-15, only about a fifth of the investments we approved were actually drawn down by the community groups. This seems to be for four main reasons (i) some community groups partnered with housing associations who provided the finance (ii) difficulty in securing planning approvals (iii) the challenge of making projects financially viable without the need for subsidy and (iv) the fact that projects often take more than one year, so the amount we approve isn't always drawn in one go.



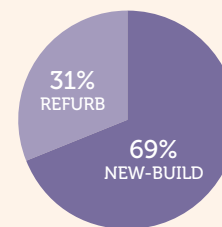
Amounts approved by region 2014-15

This chart shows that the AHR Fund has a similar pattern to our CSU Fund, with the south west, south east, and midlands making an appearance. However, we see increasing demand from communities further North.



Amounts approved by type 2014-15

This final chart shows that the investments we made from the AHR Fund in 2014-15 were primarily for building new houses for affordable homes but that we also helped communities finance the refurbishment of existing buildings for use as affordable homes. The impact is what matters: both add to the stock of permanently affordable homes.



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