Community Land & Finance CIC

Social Impact Report
Year four (2015-2016)

...growing local solutions

...building resilient communities

resonance

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Summary

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

Through these Community Asset Funds, our investors entrust us with a total of £6.75m, which we, in turn, entrust through investment to communities across the UK, to help them achieve the social impact they want through profitable projects. Entrustment through investment is where it starts: communities are the agents of change; the impact is their impact; we're their impact supporters and investment providers; we try always to remember that.

Equipped now with four years of data, we can be more confident about the social impact that community lending creates over time. For 2015-16, we can begin to see patterns and shapes in the data that were invisible until now, start to make comparisons between one year and another, and draw some conclusions about what this means. There is an intention to this: we are looking at what the next version of community lending might look like, so we can design the next set of funds to support communities in their pursuit of social impact.

Currently, we have two Community Asset Funds, which provide targeted lending to community groups: 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. AHRF wrestles with the housing crisis by lending to community groups that can't yet easily borrow from banks because they're too new or need more flexible lending, but which have a solution that helps families find homes that are affordable now and affordable for future generations.

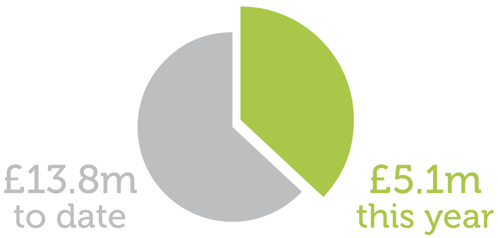
Our community lending is not the only game in town of course and it's a privilege to be part of a movement that in the previous year produced 64 share offers seeking to raise £34m; and where 602 affordable homes have been completed already, 2,400 are in prospect, and 10,000 members are involved in Community Land Trusts. It's a movement we feel part of on the finance side of the equation too: Power to Change, for example, is stewarding a £150m endowment from the Big Lottery Fund to support community businesses. 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 investment to that, not the other way round. That means working with the right kind of investment from investors who believe in communities 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 fourth year of running these funds are shown here and, because we can now see the data for several years in a row, we include the long-term view too. Community development and social impact are cumulative things, so we present the numbers that way as well:

Community Share Underwriting Fund (CSUF)

TOTAL VALUE OF UNDERWRITTEN PROJECTS



TOTAL VALUE OF SHARE OFFERS UNDERWRITTEN

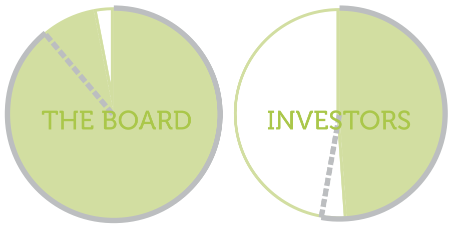
TOTAL UNDERWRITING OFFERED BY RESONANCE

PROJECTS UNDERWRITTEN

WHO ARE THE INVESTORS/THE BOARD

117 to date

97 average number of local[1] investors per project this year



THE BOARD	INVESTORS
97% FROM LOCAL COMMUNITY THIS YEAR	49% FROM LOCAL COMMUNITY THIS YEAR
89% to date	53% to date

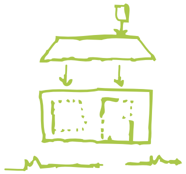
AMOUNT RAISED FROM LOCAL INVESTORS

£0.8m this year

£3.1m to date

Our underwriting offers unlocked 2.4 (to date: 3.0) times as much in community share funding...................

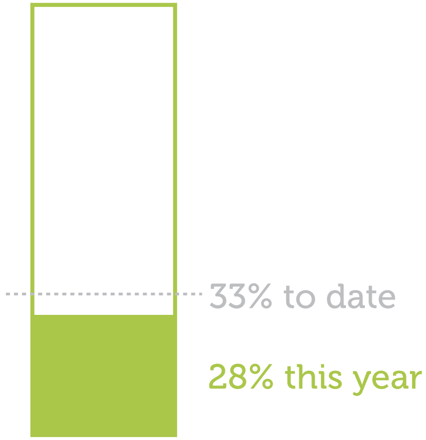
[1] We define local investors as those from the neighbouring postcodes to the project or within the county where the project is located
[2] The numbers are rounded to the nearest £0.1m
[3] When we try to measure additionality and ambition, we ask communities how many new projects they've created since the one(s) we backed with underwriting. It's a marker of the growth of community solutions



ADDITIONAL PROJECTS CREATED[3]

VALUE OF ADDITIONAL PROJECTS

PROJECT SURPLUS ALLOCATED TO COMMUNITY BENEFIT

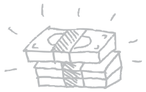


.................................and 5.5 (to date: 6.1) times as much in total project investment for communities

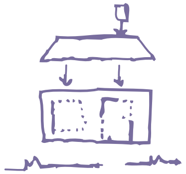
Affordable Homes Rental Fund (AHRF)

TOTAL INVESTMENT FROM RESONANCE

£1.2m this year



£2.6m to date



NUMBER OF PROJECTS SUPPORTED

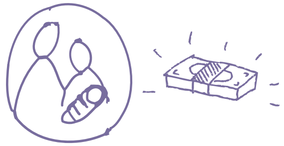
1 this year

6 to date

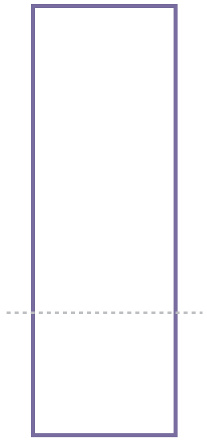
AVERAGE RENT LEVELS AS A PROPORTION OF LOCAL MARKET RENTS

78% to date

80% this year



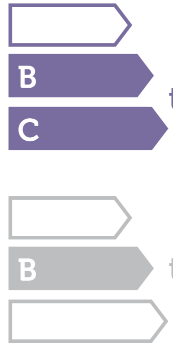
PROPORTION OF HOUSEHOLD INCOME SPENT ON RENT



29% to date

N/A this year

AVERAGE ENERGY PERFORMANCE RATING OF HOMES



this year

to date

This year we supported our largest Community Land Trust project to date........................

NUMBER OF
PEOPLE SUPPORTED

18
ADULTS
HOUSED

52 to date

11
CHILDREN
HOUSED

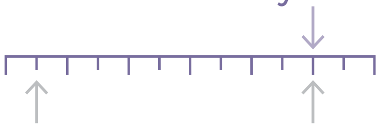
34 to date

11
ADDED
TO LOCAL
SCHOOL ROLL

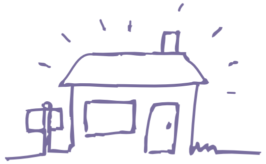
25 to date

INITIAL LENGTH
OF TENANCY OFFERED

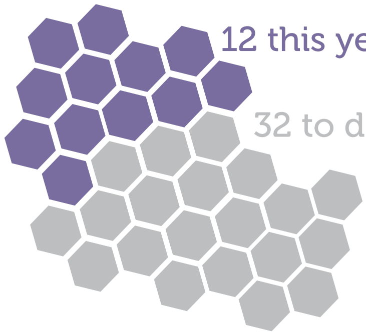
60 months this year



6-60 months to date



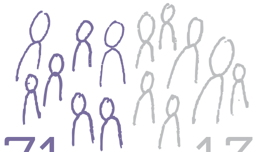
NUMBER OF
HOMES DELIVERED



12 this year

32 to date

PEOPLE FROM THE
COMMUNITY INVOLVED



71
this year

138
to date

........................involving 71 people from the local community in the delivery of 12 homes, finished by the people that will live there

These numbers are significant but they're not complete without the stories that go with them. The money is really only a measure of the impact of the funds – and we can only say that because the finance and the impact are designed to be aligned – that's what makes a social investment fund for us.

An example can help illustrate the human scale of those numbers:

Low Carbon Hub, based in Oxford, is a renewable energy community group with a difference: typically, they take the earnings from a renewable energy project and target one-third to investors; one-third to owners of the asset (for example, the building where solar panels are sited) and one third to communities. For a typical solar project, for example, this means they can return something above £20 per kW installed per annum to the community, compared to other UK projects typically at around half that.

This year, Low Carbon Hub (LCH) turned its attention to hydroelectric power, with an ambitious £3.2m scheme on the Thames at Sandford Lock. With this much capital to raise to get the project built, Resonance and LCH teamed-up with FSE (Finance South East) and Charity Bank to put together a plan to deliver the biggest hydro scheme on the Thames: enough to supply electricity for about 450 homes; and contribute more than £1m of surplus to community energy projects like smart metering and insulation for areas of high-deprivation in Oxford.

The Community Share Underwriting Fund (CSUF) offered £0.6m; FSE £0.2m; Charity Bank £2m; and LCH the balance of £0.4m. In 2015-16, it was the CSUF and FSE investments arranged by Resonance that unlocked the project, allowing community share equity to come alongside bank debt (If you don't want to know the result, look away now(!): The project was fully funded in September 2016 when Charity Bank closed the final part of the deal).

Sandford Lock Hydro is more than just a power-and-money generator too: it will save an average of 2 tonnes of CO_2 every day of its operation; and it includes a first-of-its-kind fish pass that opens up the river to fish for the first time since the weir was built at Sandford in 1631.

It is a pleasure to share the story of our Community Asset Funds' impact with you. Please read on, and get in touch if you'd like to know more.

"Thank you Resonance for all your support and patience. We are making a difference because you were able to provide us crucial funding and we have helped people to have a fresh start in a new secure, safe home where they know their landlord and neighbours are there for them."

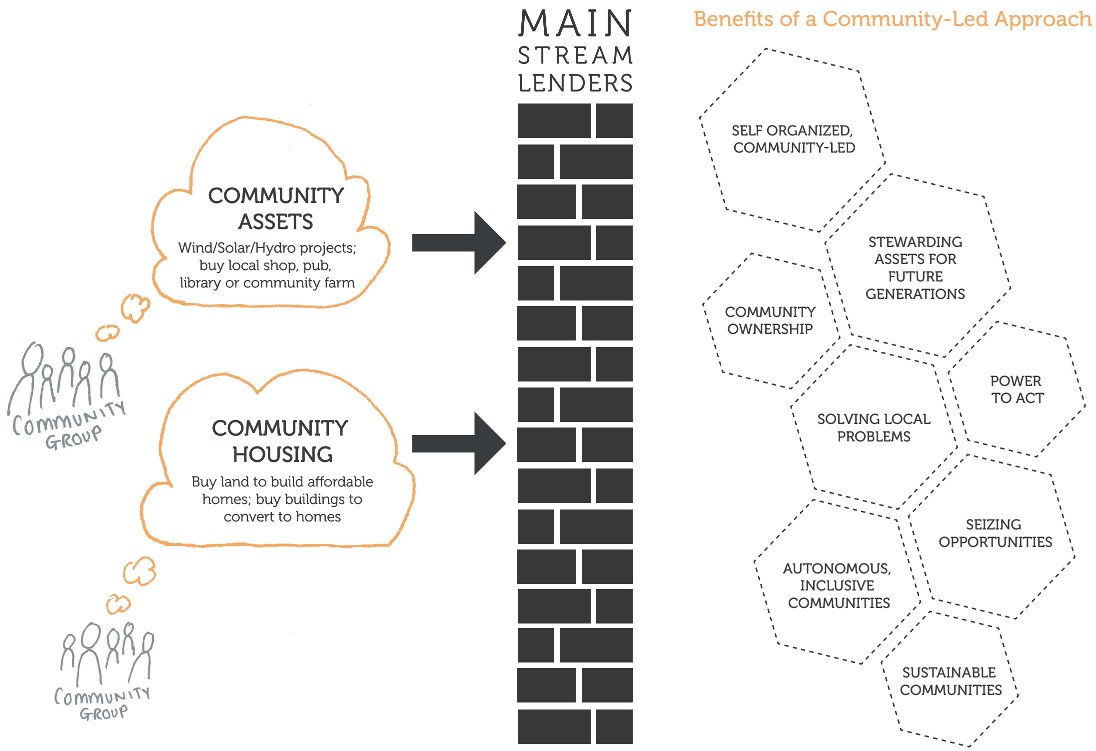
Bristol CLT

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. Whatever the reason, more and more communities are seizing 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's a problem in need of a solution
- The community that cares about it the most organises 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 current funds suit their needs[4] 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? Because we listened to what people 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 social enterprises across the country.

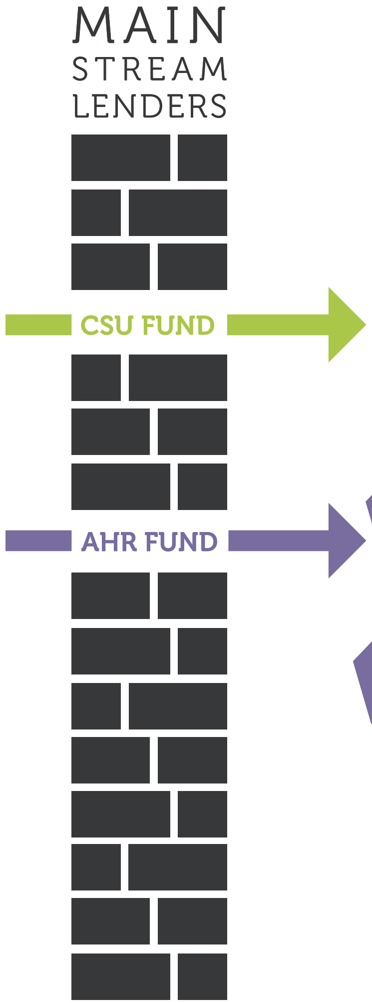
That's how our community-lending arm, Community Land & Finance CIC (CLF), was born. It works with communities to get their solutions off the ground, using two linked funds: flexible finance for affordable homes; and investment to support community share issues. These funds enable communities to get their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

Our job is to understand the unique factors which help community enterprises succeed, in order to make good lending decisions, and to then lend in ways more tailored to their needs - encouraging communities to build assets which serve their needs 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 of course. So we work with 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, our fourth social impact report, is the story of that in 2015-16.



Examples

Somerset CLT

Community-owned property developed into four flats for people at risk of homelessness, plus some workspace.

WOCoRE

A small solar energy project installed on the roof of a local school by West Oxford Community Renewable Energy (WOCoRE).

Broadhempston CLT

Lending to a community self-build housing project in a house price hotspot in rural Devon.

Bristol CLT

Six new build houses, and six flats in a converted school, for affordable housing in Bristol.

2. Community Share Underwriting Fund (CSUF)

The Community Share Underwriting Fund (CSUF) exists to support 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 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 CSUF 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: *Resonance has confidence in this deal; it is going to happen; please come and join in.*

(ii) 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.*

(iii) After – CSUF can help with **bridging** the gap that might open up at the end of a share offer that hasn't quite reached its target. The message to other investors is: *nearly there, stay with us, Resonance has promised to unlock the deal.*

CONFIDENCE

CASE STUDY: Low Carbon Hub

ISSUE:

Low Carbon Hub already had a very strong track record in developing community energy projects across Oxfordshire. However, their biggest hydro-electric scheme needed a creative solution to finance it before the withdrawal of the Feed-In-Tariff and build it before the onset of winter.

HOW CSUF HELPED:

Resonance engaged with Low Carbon Hub and Finance South East (FSE) to design a solution to the challenging timetable. Together, these partners decided that CSUF would lend £600,000 and FSE £200,000 in advance of the share offer launch; unlocking £2m of financing from Charity Bank to get the scheme built.

MOMENTUM

CASE STUDY: Resilience Centre – Alvington Court

ISSUE:

The community group launched their share offer early in 2015, to raise the capital to build a new community wind turbine on the edge of the Severn Estuary, just along the river from Chepstow.

HOW CSUF HELPED:

Resonance boosted the visibility and momentum of the Resilience offer by underwriting £600,000 of the target. The end-game of this boost in momentum was the successful conclusion of the share offer in the summer of 2015 and the build/commissioning of the turbine in November the same year.

BRIDGING

CASE STUDY: WOCoRe

ISSUE:

West Oxford Community Renewables (WOCoRe) had the opportunity to buy back a solar array on the roof of Matthew Arnold school, from Oxfordshire County Council, but with a very tight timetable.

HOW CSUF HELPED:

Resonance was able to bridge the remaining half of the target of £280,000 after WOCoRe successfully raised £143,000 against the clock – the share offer was open for just 18 days to beat the deadline of tax relief for investors being withdrawn by the government that year.

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. That's ok, because even though we've not actually invested from our Fund, it means we've helped something happen and can use the money that we would have invested, in another project. It means we catalyse more projects 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 two projects happen this way without ever needing to invest.

Our aim is to always leave organisations stronger than before they engaged with us, no matter what the outcome. Very often the constructive due diligence process for the Fund strengthens 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 organisation has responded by improving its strength, resilience and sustainability in the process.

SHARE OFFER CLOSED

START PROJECT

BUILD TRACK RECORD

EVENTUALLY RE-FINANCE

More Detail

Confidence – Low Carbon Hub

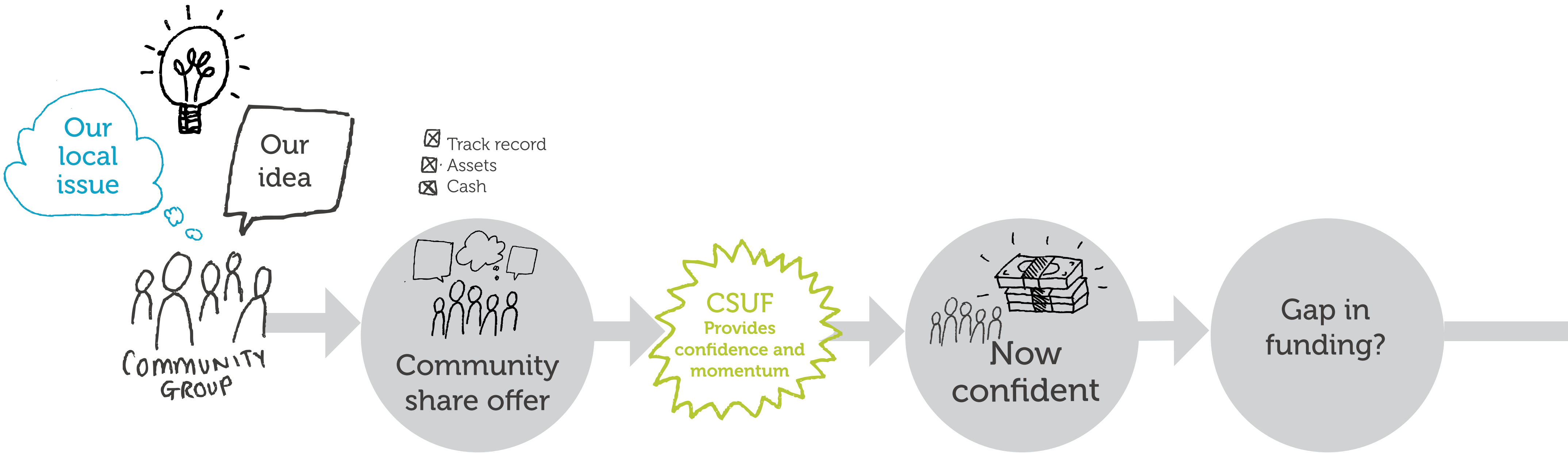
With more than 30 community-owned installations, Low Carbon Hub was already a trusted community energy organisation with the confidence of investors. However, the timetable for the development of their biggest hydro-electric scheme on the Thames presented them with a significant challenge: to finance it before the withdrawal of the Feed-In-Tariff and build it before the winter weather made it impossible. Launching a new share offer could be done, but not in the time available.

The creative solution of using the CSUF for advanced-funding of a future share offer was possible because of the excellent working relationship built between Resonance and Low Carbon Hub over more than three years. It meant that Finance South East (FSE) could take comfort from matching the terms of our lending *pari passu* (literally: 'on equal footing'), an opening conversation about debt could be held with the ethical banks (Charity Bank was Low Carbon Hub's chosen favourite) and a share offer timetable could be designed that would work for community investors.

Momentum - Resilience Centre – Alvington Court

The Resilience Centre 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, like the one we backed at Alvington Court, which would generate clean energy and a financial surplus to spend in the local community.

The wind turbine at Alvington Court is now generating enough energy to power around 350 homes a year and saving more than 700 tonnes of CO_2 annually. The relationship Resonance developed with Resilience led to another underwriting offer of £600,000 in 2015-16 made at the end of the year for two more wind turbines at Kingswood in Gloucestershire. This time, the share offer quickly reached its minimum target and the project forged ahead; with our support but without needing our investment.



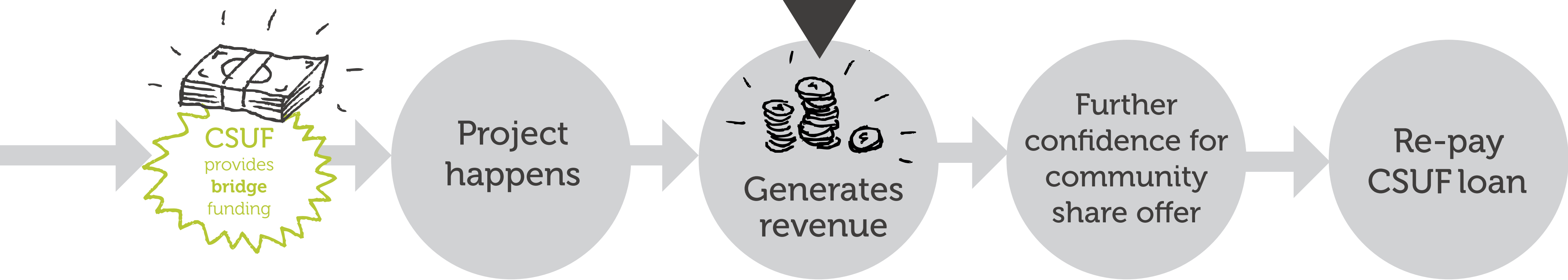
Bridging – West Oxford Community Renewables (WOCoRe)

The solar array on the roof of Matthew Arnold school was offered to the community by Oxfordshire County Council with the proviso that the sale take place by May 2015. The timescale was enormously challenging for WOCoRe, with the group setting a target of just 18 days to raise the money ahead of the Government's withdrawal of tax relief for enterprise investments.

They made it! And with 540 panels, this is now the largest community-owned schools solar project in the UK – generating 30% of the energy used by the school, saving 46 tonnes of CO_2 per year and significantly contributing to the children's learning.

Resonance was always clear that bridging the gap in this share offer was going to be a short term solution on the way to full community ownership. And so it turned out to be, with a second share offer in November 2015 successfully raising £140,000.

> "We would not have been able to complete the buy-back of the PV array at Matthew Arnold School without the loan from Resonance."
>
> WOCoRe



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, 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're not familiar with CLTs, there's a little more explanation in Appendix 2 and plenty more on the web: the National Community Land Trust Network is a good place to start.

GUIDANCE

CASE STUDY: Holsworthy Community Property Trust (HCPT)

ISSUE:

HCPT needed financing for its second project at Sheepwash in Devon, something Resonance had been working on with HCPT for some time after the AHR Fund supported the first affordable homes on the site.

HOW AHRF HELPED:

After the maximum time period on our loan offer had lapsed (we do that so that the finance we have doesn't stand still and can get to work for other groups), we still keenly wanted HCPT to succeed with this project, so we were able to guide the group to another investor who made them an offer for the finance they needed.

100% FUNDING

CASE STUDY: Bristol Community Land Trust

ISSUE:

Bristol CLT was established to allow people to take part in creating their own housing solutions, the first of which was 12 homes in the Fishponds area of the city. The challenge was to find a financial solution to a mixed model of homes for sale or rent; both of which included 'sweat equity' where a discount on rent or purchase price could be given in exchange for the labour put in by the occupiers.

HOW AHRF HELPED:

Resonance worked closely with Bristol CLT to design 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:
Beer Community Land Trust

ISSUE:

Beer CLT on the Devon coast near Seaton had discussed a loan from the AHR Fund previously; in advance of building the seven affordable homes now fully occupied. This time, the need was to refinance the short-term loan provided for four of those homes that were used for affordable rental.

HOW AHRF HELPED:

Resonance designed its investment to refinance the original lender with a £300,000 loan from the AHR Fund: supporting the CLT as it established a track record locally and continued innovations such as solar panels on the roofs of the homes (to provide electricity to occupiers and income to the CLT) and high-levels of energy efficiency (rated B).

CONSTRUCTION COMPLETED

HOMES RENTED TO LOCAL FAMILIES

BUILD TRACK RECORD

EVENTUALLY RE-FINANCE

More Detail

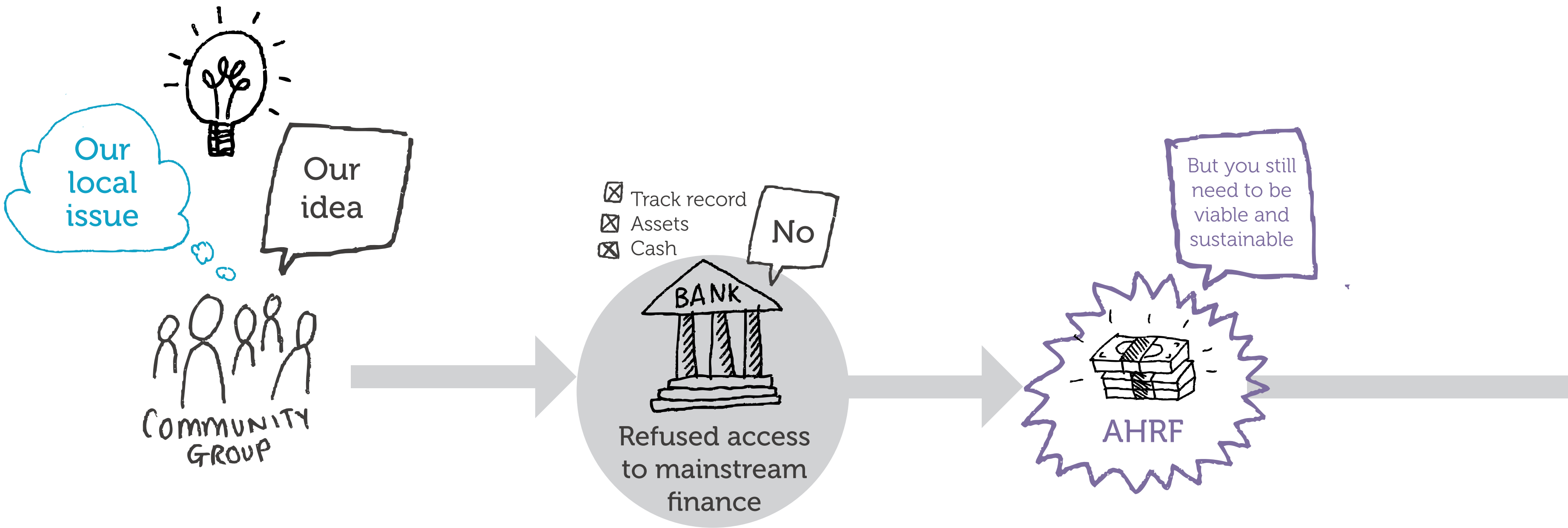
Guidance – Holsworthy Community Property Trust (HCPT)

The main challenge was one of timing in this case, where Resonance had extended the offer of a loan and kept the offer open until the summer of 2015; our maximum loan extension. After the offer lapsed and the earmarked finance was offered to other community affordable housing groups, we guided HCPT to another investor who made the group an offer later in 2015.

Frustratingly for HCPT and the investor concerned, circumstances prevented this offer from proceeding too. However, the relationship with HCPT endures and the group is now proceeding with one of the ethical banks as a preferred lender for their project. And that's not the end of the impact story: HCPT is demonstrating community leadership by using the success of its property projects to back other community ventures above and beyond affordable homes. For example, HCPT took on the lease of Holsworthy Youth Club; allowing the building to re-open in 2015 after being closed when the local authority withdrew.

100% Funding – Bristol Community Land Trust

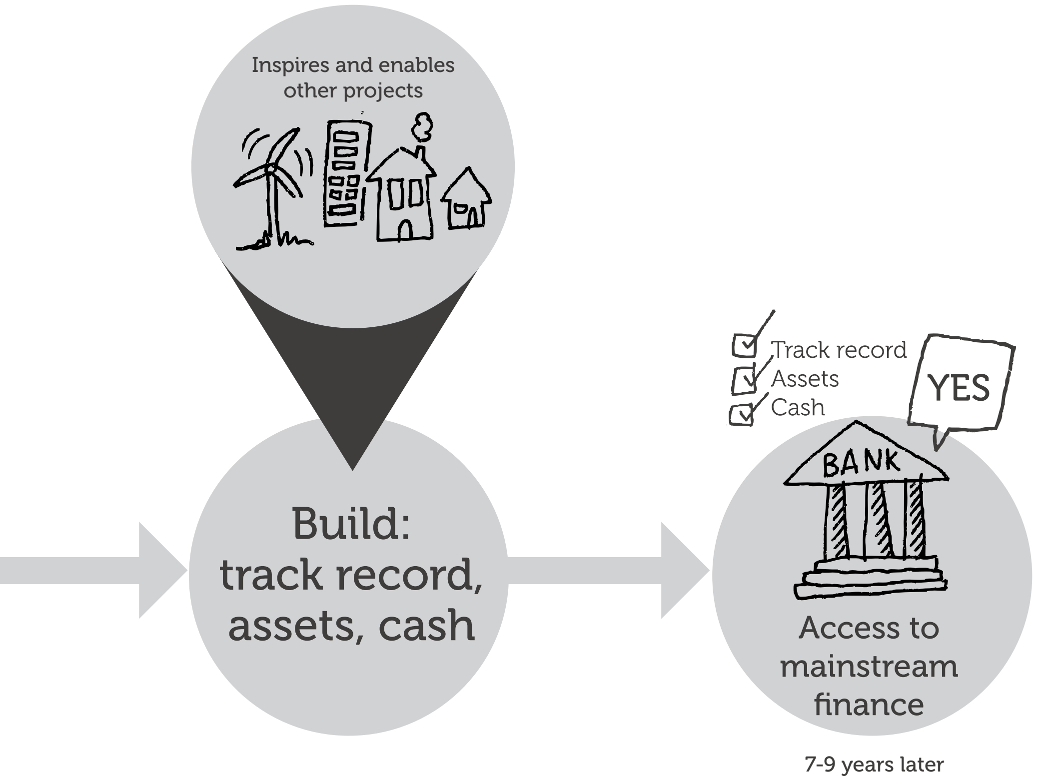
One challenge for any Community Land Trust that is planning to build homes for affordable sale and affordable rental, is in predicting how much demand there might be for each of those elements. But that doesn't play well with most mainstream bank lenders, who prefer to have certainty over the mix of rental and sale homes upfront. The creative part of the solution from the AHR Fund 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 took the risk out of the decision and gave the group the flexibility to develop the homes in line with the needs of local families. The CLT has now developed six new build homes and refurbished an old school building to create six flats too, with space for 31 people in total, about a third of whom will be children. The solar panels fitted to the new-build homes generate discounted electricity for the occupiers and an income stream that the AHR Fund could recognise as revenue, to help cover some of the loan payments. The capital from shared equity sales allows a portion of the loan to be repaid early, recycling the AHR Fund investment into other projects around the country, whilst the rest of the loan remains in place to support the affordable rental homes.



Flexible Loan – Beer Community Land Trust

In meeting its obligation to repay the short term loan it secured for building the seven affordable homes, Beer CLT was able to negotiate with other investors as well as with Resonance's AHR Fund and, as a consequence, was successful in securing an exceptionally favourable offer from another investor with an interest in the local area. Resonance supported this outcome because it allows the CLT to thrive, and move on to deliver its ambitions, which include a second potential development of 12 affordable homes (six for shared equity sale, six for affordable rental) as part of a 30-home development.

This use of the AHR Fund as part of building confidence in a Community Land Trust deal is not dissimilar to the use of the CSU Fund to do the same for community share offers. The outcomes are similar too: the community delivers its vision with our support but not necessarily with our investment. We think that's success.



4. Community impact

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

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.

This listening-and-learning approach to what we do means we've 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, or something else) is acquired or created, it must be stewarded for future community benefit. Community groups provide the bedrock 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 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 like affordable housing with an eye on the long-term goal of community stability, like 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, for example, green energy projects that generate cash that's recycled to help tackle 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: 10 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 important community assets, 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 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 Council or 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, as well as a measure of 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 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; 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, we set out to measure 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 – it's where we engage 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.

At the other end of the spectrum, a significant number of community groups do such a good job of preparing for investment that they're 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're ok with that, 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 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 2015-16.

Community Share Underwriting Fund (CSUF)

Measuring social impact is done before we make an investment (to assess whether to invest) and after the projects have become a reality (to assess 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's happening:

Criteria			
1) Unlocking retail investors' confidence	2) Catalysing momentum for community benefit	3) Enhancing community ambition	4) 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 (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.

[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.

£11.9m
VALUE OF UNDERWRITTEN PROJECTS

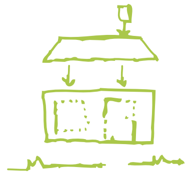
£5.1m
VALUE OF SHARE OFFERS UNDERWRITTEN

£2.1m
TOTAL UNDERWRITING OFFERED BY RESONANCE

£1.6m
TOTAL UNDERWRITING TAKEN

97 average number of local investors per project [6]

£0.8m raised from local investors



16 ADDITIONAL PROJECTS CREATED, [7] WITH A VALUE OF £5m

Unlocking Retail Investors' Confidence

The Resilience Centre is a good example of unlocking retail investors' confidence. The first wind turbine project gave the group (and their investors) the courage to take on a second turbine, at Alvington Court, with the share offer given momentum by underwriting from the CSU Fund in 2015-16. Commissioning the second turbine raised the confidence of investors and the team to a level where their third project, this time for two more turbines, raced ahead to a successful conclusion because of the confidence that comes from a track record.

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 2015-16, this meant our underwriting unlocked 2.4 times as much in community share funding and 5.5 times as much in total project investment.

Over the life of the Fund to date, our underwriting has unlocked 3.0 times as much in community share funding and 6.1 times as much in total project investment:

Catalysing Momentum for Community Benefit

Catalysing momentum relies on the engagement of local people to determine their own local affairs, which is why we look through the lens of locality for these measures.

An example of this kind of localism creating momentum is the Resilience Centre's project at Alvington Court, where they are developing a volunteer-led panel that will have the responsibility for distributing the financial surplus from operating their wind turbine. And, by way of building momentum, the Resilience Centre also intends to create a loan fund to offer success-based repayable finance to other projects that create resilience in the community.

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 communities. It's why we measure ambition by the number of additional projects beyond the one(s) we invest in, and their value.

WOCoRe is a good example of community ambition that is spreading through the connected networks of communities in Oxfordshire. WOCoRe not only creates and runs its own renewable energy projects, like the one Resonance backed through the CSU Fund, but also supports others to do the same. They helped advise and raise finance for two more sets of solar arrays now owned by other communities. One set, on the rooftops of local social housing, owned by Hogacre, generates free electricity for the residents; and the other, owned by Oxford Community Churches, is saving around £3,500 per year in running costs.

WOCoRe's highlight this year was generating their one millionth kWh of renewable electricity!

28%

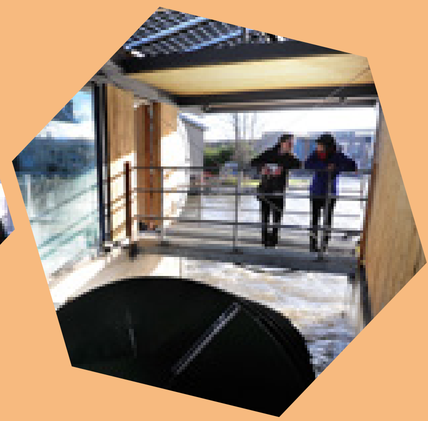
AVERAGE PROJECT SURPLUS
ALLOCATED TO
COMMUNITY BENEFIT

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 surplus and the greater the proportion of it that can be spent on community benefit, the more resources communities have to develop the next project and support more local people. At their best, community projects not only survive, but also proliferate, which is why we are interested in measuring how much of the revenue they generate goes back to the communities that created them.

In 2015-16, the proportion of project surplus allocated to community benefit was 28%[8].

To date, the Fund has invested in community projects that allocate around a third of their surplus to community benefit.



Case Study: Low Carbon Hub

Stories are measures too, which is a why Low Carbon Hub illustrates the metrics of the Community Share Underwriting Fund quite well.

Low Carbon Hub's ambition is to create a locally owned, decentralised, renewable energy system that is as interested in people using less energy as it is in using the right energy. Its biggest project to date, Sandford Lock Hydro, was one of Resonance's big underwriting projects this year at £600,000 from the CSU Fund and £200,000 arranged in partnership with Finance South East (FSE).

100% of the Board is from the local community; their share offer raised £822,361 from 296 investors; of those investors, something like 225 were from Oxfordshire (76%) and those local investors contributed £603,011 – 73% of the community share total.

Low Carbon Hub has a model that aims to distribute approximately one third of surpluses from its energy projects to community benefit and contribute to the 7% of Oxfordshire Gross Domestic Product (GDP) already delivered by the low carbon economy. By contrast, the £1.5bn spent on energy in Oxfordshire in an average year mostly leaves the local economy and goes to the big energy companies, many of which are owned not just outside Oxfordshire, but outside the UK.

The difference could hardly be more stark.

Sandford Lock Hydro is an emblem of what communities can do. It has been a privilege to back this project and a lesson in how underwriting can support communities in realising their ambitions.

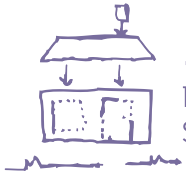
[6] We define local investors as those from the neighbouring postcodes to the project or within the county where the project is located.
[7] When we measure additionality and ambition, we ask communities how many new projects they've created following the one(s) we backed with underwriting.
[8] We do not yet have comprehensive data for all projects, so have based our analysis on several representative projects, based on the proportion of total project surplus which is allocated to community benefit funds.

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. 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:

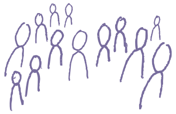
Criteria				
1) Community leadership	2) Affordability	3) Community sustainability	4) Security of tenure	5) Additionality
Measures				
1a) Number of projects supported	2a) Rent levels as a proportion of local market rate	3a) Number of adults housed	4a) Length of tenancy offered	5a) Number of homes delivered
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 2015-16 look like this:



1

PROJECT SUPPORTED

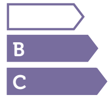


71

PEOPLE FROM THE COMMUNITY INVOLVED

80%

AVERAGE RENT LEVELS AS A PROPORTION OF LOCAL MARKET RENTS



AVERAGE ENERGY PERFORMANCE RATING OF HOMES[9]

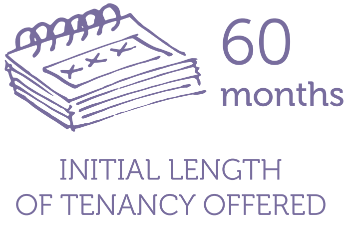
Community Leadership

At Bristol CLT, for example, there are six volunteer Board members which, in a traditional organisation, would be how the leadership happens. Bristol CLT is different: Its model is intentionally self-organising so that all the prospective occupiers have a proper role in the planning, procurement and building process. This has given people a stake in their own homes which goes beyond simply owning/renting. It's an energising model that has engaged 71 people directly in the development of the site at Fishponds and attracted a membership base measured in hundreds. That's how Bristol CLT is demonstrating community leadership.

Affordability

At Bristol CLT, for example, renting occupiers 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, 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. Rents will only change once a year in April and for the next two years are expected to go *down*. 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).

[9] Nationally, only 36% of properties in the UK are as energy efficient as this



Community Sustainability

Cornwall CLT is a good example of the role of affordability in perpetuity. One of their properties at Saltash in Devon became vacant because the tenant successfully moved on to be near other family members. The vacancy gave the CLT the chance to recycle the property for a newly married couple looking for their first home together after living with their parents for some time (not an unfamiliar story in times of extremely high house prices). The anchor-point that a permanently affordable home can give is how the CLT is supporting the sustainability of this community.

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. The anchoring of a few families who have helped plan and build their homes as part of their commitment to the area, and committed to each other through managing the communal garden at the centre of the Fishponds site, is a big step towards the sustainability of the local community.

Security of Tenure

Bristol CLT's opening tenancy is through Assured Shorthold Tenancy agreements, which were designed to protect tenants from the volatility of short term decisions by landlords, giving occupiers a good level of security at the outset. That is the legal fall-back position of course, usually only offered for 6 months, and tends to assume badly-behaved landlords. The CLT can be thought of as nearly the opposite since it is intentionally setting out to create community stability, which is built on stable tenure for the families at the Fishponds development.

[10] 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.

12
HOMES DELIVERED

£1.2m
TOTAL INVESTMENT FROM RESONANCE

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.

It's not just the additional numbers of course, as the other measures of the AHR Fund show. It's the additional *quality* of community leadership and of life, that these projects bring. At Bristol CLT, for example, the architectural design, landscaping, finish, and setting are the antithesis of the idea that affordable has to mean bland, utilitarian and soulless.

Additionality is also about creative connections between issues, needs and solutions. For Somerset CLT (which, by the way, was funded by the CSU Fund rather than AHRF because they wanted the finance as well as the beneficiaries to come from the local community), additionality comes in the form of the credit union located on the ground floor of the building they developed in Taunton with four flats above it; and from the use of the garden, from which the vegetables grown are donated to the local foodbank. Not only has the CLT housed six people who were at risk of homelessness, but a further 30 or so regularly use the services of the credit union to help support their financial future. The infectious enthusiasm of this kind of additionality is best illustrated by the neighbour who, having seen the destination of the veg, decided to offer his own garden to expand the crops being grown and donated to the local community.

6. Part of something special

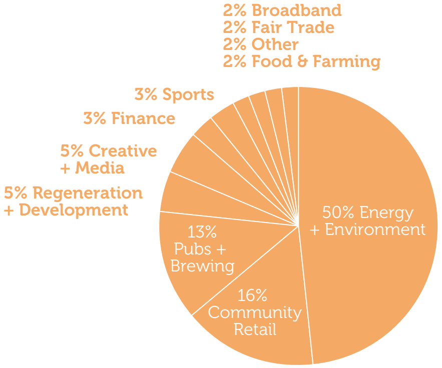
Social investment in community shares and affordable housing is a growing movement and something we, and the investors in our funds, are committed to be part of. This section tells the story of where we fit in.

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

The nearest comparison we can make to show our part in the community shares movement, is with the UK data[11] for 2014, which looks like this:

COMMUNITY SHARES

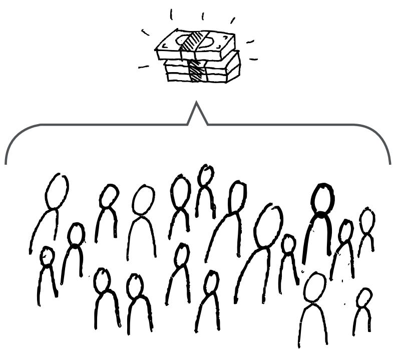
What types of projects are there?



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

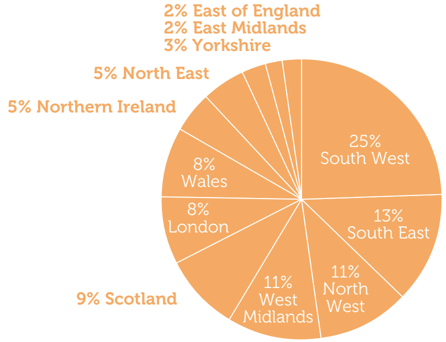


The gap between the target (£34m) and the amount actually raised (£22m) is a very good definition of the need for the Community Share Underwriting Fund: not every community share offer reaches its target, so we help close the gap.

How many share offers were undertaken?

64

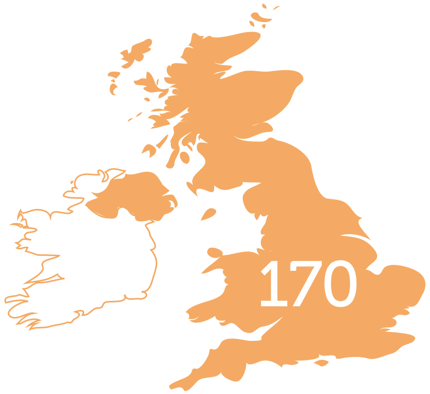
Where are they?



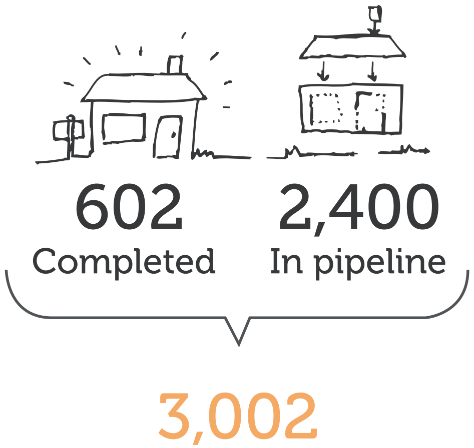
This pie chart shows that the South West is the most active region when it comes to community share offers.

AFFORDABLE HOMES

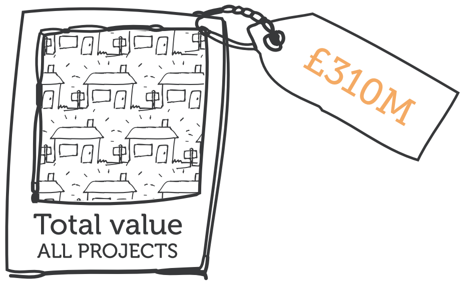
How many CLTs are there?



How many community-led affordable houses are there?



How much ?



Our Affordable Homes Rental Fund (AHRF) 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 170 CLTs with around 10,000 members in the UK at the moment and that's growing every month.

So far, those CLTs have completed 602 affordable homes and they have 2,400 homes in their plans for the near future.

At an average of £100,000 each to build, that's around £60m already delivered and £250m to come.

[11] With our thanks to the Community Shares Unit for the data, an update for which should be available shortly after the publication of our report. Visit their website if you want to know more www.communityshares.org.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	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 drawndown, 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 drawndown, 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 drawndown, matched by community share funding	£670,000	£150,000

	Community Group	Project	Fund	Status	Total project	Approved for investment
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 drawndown, 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 drawndown	£1,800,000	£1,200,000
21	Broadhempston CLT	Community owned affordable housing - self build	AHRF	Loan offer accepted and drawndown	£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 drawndown, 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 drawndown, matched by community share funding	£312,000	£140,000
27	Chelwood Community Energy	Community owned solar farm	CSUF	Underwriting taken and drawndown, matched by community share funding	£5,800,000	£600,000
28	Low Carbon Hub CBS	Community owned roof mounted solar	CSUF	Underwriting taken and drawndown, 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 drawndown, matched by community share funding	£4,420,000	£600,000
				TOTAL[13]	**£42,282,000**	**£11,880,000**

[13] This table shows everything we have *approved* for investment so far. Elsewhere in the report, to avoid over-claiming, our practice in reporting metrics is to only record data when a community *accepts* the offer of investment we make because that's when a project becomes contractually and financially linked to our funds.

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.

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

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

APPENDIX 4 - 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.

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