INFORMATION **LEAFLET** | SIMPLE GUIDE TO COMMUNITY SHARES

COMMUNITY SHARES

WORKING TOGETHER TO BUILD STRONG COMMUNITIES

resonance

UNDERSTANDING
COMMUNITY SHARES

The Community Shares Unit states that the number of community share offers since the last industry survey in 2014, has doubled to over 500 offers, with £150m having been raised from 100,000 members. Community share offers are used for many purposes including building affordable homes, saving a local pub or shop from closure, for a renewable energy project or any other community-led initiative.

Community shares are a type of investment designed so members of a community can put their money to work to purchase any income-generating asset that is needed by the community. This will keep the asset safe for future generations and in community ownership in perpetuity. Community shares are a great way to provide community businesses with the long term finance they need to flourish.

Since community shares aim to include the whole community - a collaboration of a large number of ordinary people - they usually **start with a minimum investment of around £100 to £250**. But other people from outside the community may also invest if they support the aims of the community business. And some institutions or trusts may decide to invest much larger sums, often as match funding, to encourage the participation of more members of the community. There is a cap on investment of £100,000, so that the business never becomes dependent on a few large investors. No matter what you invest, every investor gets one vote and an equal chance to participate in the community enterprise.

Whilst supporting a local business that serves your community, you may receive interest on your investment, and you have the right to request to withdraw your shares (if you need your investment back for any reason). Each community share offer has its own individual terms and conditions.

Learn more about community shares in 'frequently asked questions'.

FREQUENTLY ASKED QUESTIONS

WHO USES COMMUNITY SHARES?
Community shares are uniquely issued by co-operative and community benefit societies to raise money to buy assets and hold them for the benefit of the community in perpetuity.

WHAT TYPE OF PROJECTS CAN BE FUNDED THROUGH COMMUNITY SHARE OFFERS?
Community shares can be used to raise capital for virtually any community asset that a community wants or needs. From village pubs, shops and affordable homes, to community farms, renewable energy initiatives and sports facilities.

DO I GET A RETURN ON MY INVESTMENT?
Community share offers typically offer a return to investors – set each year as a "target interest rate". In addition, they give you membership (one member, one vote) and participation in decision-making.

HOW ARE THEY DIFFERENT TO SHARES IN A COMPANY?
Community shares are "withdrawable share capital", which means you can request that the cash you have invested is returned to you. The community enterprise will typically have a policy e.g. no withdrawal for 18 months to two years, and requests for withdrawal then honoured on a first come-first served basis (assuming cash is available to do this). They are not the same as an equity share in a company, which can sometimes be traded on an exchange or transferred to another investor. Community shares have the added benefit of providing membership and voting rights.

CAN COMMUNITY SHARES INCREASE IN VALUE?
Unlike equity shares, the value of community shares do not increase. This is because the capital raised is used to purchase a local asset and preserve it; not to increase shareholder value or maximise sale value (with all the risk that entails). Because there is an underlying asset (e.g. property, land, energy assets, etc.), even if the project failed there is a chance that the original money (used to purchase the asset) may be returned to investors.

They usually don't go down in value either, but the share price may be reduced if a community business decides to do this, because of financial difficulties or other challenges.

ARE COMMUNITY SHARES COVERED BY THE FINANCIAL SERVICES COMPENSATION SCHEME OR OTHER FINANCIAL REGULATIONS?
Since most individuals invest in community shares to support a community purpose, rather than for financial gain, community shares are not subject to financial promotions regulations. An unregulated offer helps to keep the cost of making a share offer affordable for communities. However, by purchasing community shares you may lose some or all of the money you invest. Investors are not protected by the Financial Services Compensation Scheme (as you would be with a savings account), and do not have recourse to the Financial Ombudsman Service.

ARE COMMUNITY SHARES USEFUL FOR BOTH LARGE AND SMALL PROJECTS?
There are numerous examples of big initiatives that have been financed with community shares. One of the most well-known was FC United, created by Manchester United Fans which raised £2m in community shares towards the cost of their new £5.6m stadium. The share raise unlocked a further £3m of grant funding. Resonance has helped a number of clients. A few examples are featured in our case studies on the back page of this leaflet.