

Factsheet 1: What is community investment?

1.1 What is it?

Community investment is a way of raising money from communities through the sale of shares or bonds in order to finance enterprises serving a community purpose. Unlike charitable fundraising, community investors can get their money back, and many also receive interest or dividends on the money they invest. It is not a new idea. Community investment underpinned the birth, growth and development of consumer co-operatives in the nineteenth and twentieth centuries. In the last ten years there has been a resurgence of interest in using community investment to finance a range of community initiatives.

1.2 Definition

For the purposes of the Community Shares project we are defining community investment in the following way:

The sale, or offer for sale, of more than £10,000 of shares or bonds to communities of at least twenty people, to finance ventures serving a community purpose.

This definition helps to distinguish community investment from investment by social business angels, which might typically involve fewer than 20 investors; and from community initiatives using £1 shares as a membership ticket, not as a vehicle for raising investment capital.

1.3 What has worked?

We know of 84 current examples of community investment that fit our definition. (See the table at the end of this factsheet.)

There have been three distinct phases in the development of community investment practices, stretching back to the early nineteenth century. The first phase, up to 1970, was dominated by the birth, growth and consolidation of the consumer co-operative movement. These co-operatives still account for the majority of current community investment (£182m share capital held by 5.9m members, although members' share capital in consumer co-operatives is only a tiny fraction of total members' funds, including reserves, which amount to over £5bn.)

The second phase, from 1970 to 1999, saw the practice of community investment being adopted by communities of interest, principally railway preservation societies, which raised share capital from railway enthusiasts. During the latter part of this period, from 1990 onwards, there were the first signs of a renewed interest in community investment among co-operatives and other third sector organisations, some of which used a plc structure, whilst others used an IPS structure.

The third phase, covering the period from 1999 to the present, has seen 41 new organisations use community investment, which is just under half of all the cases we have identified. The combined community investment of these 41 organisations is over £45m, and the combined membership is over 63,000. Most of these organisations are IPSs, with only seven out of the 41 using an alternative structure.

1.4 Trade activities supported by community investment

The most popular trade activity among the 41 new initiatives since 1999 is renewable energy, followed by community-owned retail stores and community finance. Community investment has also been used to finance fair trade initiatives, community farms, land and buildings, and even football clubs and telecommunication services.

Trade activities of organisations issuing community shares or bonds since 1999	Number of organisations
Renewable energy	9
Community retail store	8
Community finance	7
Regeneration, land, buildings	5
Transport (heritage railway preservation)	2
Farming	2
Utilities	2
Football	2
Fair trade	1
Other	3

There are several possible explanations for the apparent popularity of renewable energy production. Renewable energy, especially wind and water power, can provide relatively safe and predictable returns on investment. There are now two development agencies, Energy4All and Water Power Enterprises (H₂OPE), providing support to communities that want to apply community investment principles to renewable energy schemes. The social, community and environmental benefits of renewable energy are evident to potential community investors.

Community retail stores, especially village shops, are turning to community investment as more people are faced with the prospect of losing their only local food store, and are realising the power of community investment not only to raise the necessary capital but also to engage the local community in the future of the store.

1.5 What could work in the future?

Community investment can be used to finance any initiative which is capable of generating a sufficiently attractive financial and social return on the investment. The list of possibilities is almost endless. Most products and services can benefit from being made to serve a community purpose. Here are some examples:

Waste recycling: Waste recycling rates might be greatly improved by engaging communities in the ownership of waste recycling plants, such as urban-based anaerobic digesters.

Community land trusts: Affordable housing can be made more affordable if the land is bought and owned by the community.

Community supported agriculture: Popular in the US, community supported agriculture demonstrates the value of establishing direct links between producers and consumers.

Low carbon initiatives: Many carbon reduction initiatives are more economically viable if they are adopted by larger numbers of people. Community-scaled low carbon schemes could provide better household insulation, combined heat and power schemes, and larger-scale domestic electricity generation.

Community facilities: Some urban areas have problems attracting GPs, dentists, nurseries and other forms of public services because they are put off by the relatively high cost of premises.

Community transport: Community investment could have a major impact on car sharing clubs and other community transport initiatives. Some groups are already investigating the possibility of using

community investment to finance the development of new rail services.

Community utilities: Community ownership of next generation broadband cable networks is already a reality in some European countries and could be introduced to the UK through community investment.

Community pubs: Like village shops and post offices, pubs are in danger of closure in many communities. Community investment and ownership could enable these enterprises to become viable again.

1.6 Community engagement

Community shares are an excellent source of capital investment, as well as a highly effective way of engaging communities in the work of an organisation. Shares convey membership and ownership of an organisation. Members have defined rights over the organisation, which can include voting rights to elect directors, determine policy, and amend its constitution.

Becoming a shareholder member can often be the first step on a ladder of participation leading to far greater levels of involvement in and commitment to the organisation. Members are more likely to become dedicated customers, service users, volunteers, employees, supporters or advocates.

1.7 From fundraising to investment

Community investment is an unfamiliar concept, and one that can be difficult to explain to people who are more used to community fundraising. There is a long tradition of fundraising that has shaped public attitudes to the financing of community initiatives. Everything from kidney machines to historic homes have been purchased through community fundraising. The Plunkett Foundation has helped to establish over 180 community-owned shops, most of which have used voluntary fundraising to raise capital. Only eight community-owned stores have used community investment to raise additional capital.

Promoting community investment may also prove difficult because most people have no direct experience of investing in shares or bonds. It is estimated that no more than a quarter of the population directly own shares or bonds, and many of those acquired shares through the demutualisation of building societies and insurance companies, rather than actively purchasing them.

However, there is a strong case in favour of developing community investment. Most communities face a growing number of problems, ranging from profound issues, such as climate change, to the more mundane problems associated with a lack of funding for community facilities. It is becoming increasingly unlikely that all these needs can be met through government spending or charitable sources, and there is a limit on what people can afford to donate to good causes. Community investment enables people to invest in good causes, using some of their long-term savings to support community initiatives. Even in communities where few people currently save, community shares and bonds might provide an incentive to invest and save for the longer term.

The Community Shares programme will investigate new forms of investment that may be more accessible and attractive to people on low incomes. The history of the co-operative movement contains many examples of people saving small regular amounts of money to provide the capital for what became large community institutions. For instance, the Preston Industrial Co-operative Society had recruited 369 members by the end of its first year of trading in 1873, who between them managed to invest just over £700. Over the next 30 years its membership grew to over 13,000 and its members' capital grew to more than £110,000, the equivalent of more than £45m today, based on the rise in average earnings. Most of this capital was raised through regular subscription of small amounts, typically no more than a penny a week. By 1902 the society owned 50 retail stores as well as a farm, bakery and coal department.

The Phone Co-op is a current example of how to harness the combined financial powers of whole communities, with large amounts of capital being raised in relatively small amounts from each member. In 2007, its membership of over 6,700 people had collectively invested over £1.6m, an average member investment of £237, although the median investment was only £30.

The following table provides details of 84 organisations that have successfully raised community investment. In the first three months of the Community Shares programme we have learnt about a further 50 organisations that are developing community investment plans. The concept of community investment appears to be capturing the public imagination as a new way of building community services and infrastructure.

Table: Current cases of community investment in the UK

(n/a = data not available)

Organisation name	Date established	Share capital	Member loans and bonds	Total member investment	No. of members	Website address
Lincolnshire Co-operative Society	1861	9,650,000		9,650,000	161,124	www.lincolnshire.coop
The Co-operative Group	1863	67,200,000		67,200,000	3,100,000	www.co-operative.coop
Chelmsford Star Co-operative Society	1867	4,667,145		4,667,145	47,965	www.chelmsfordstar.coop
East of England Co-operative Society	1868	19,180,000		19,180,000	520,000	www.eastofengland.coop
Radstock Co-operative Society	1868	n/a		n/a	n/a	www.radstock-co-op.com
Southern Co-operatives Limited	1873	1,169,000		1,169,000	78,000	www.southern.coop
Allendale Co-operative Society	1874	n/a		n/a	n/a	No website
Coniston Co-operative Society	1876	n/a		n/a	n/a	www.conistonco-op.co.uk
Heart of England Co-operative Society	1884	2,465,000		2,465,000	180,000	www.21stcentury.coop
Wooldale Co-operative Society	1886	227,048		227,048	1,014	www.wooldale.coop
Tamworth Co-operative Society	1887	2,511,488		2,511,488	37,282	www.tamworth.coop
Penrith Co-operative Society	1890	809,612		809,612	24,006	No website
Anglia Co-operative Society	1921	8,460,000		8,460,000	228,459	www.angliacooperative.co.uk
Midlands Co-operative Society	1925	16,696,000		16,696,000	914,522	www.midlandsco-op.com
Channel Islands Co-operative Society	1955	12,704,000		12,704,000	102,000	www.ci-cooperative.com
North Norfolk Railway	1963	685,248	66,900	752,148	n/a	www.nnrailway.co.uk
Dart Valley Railway	1965	260,917		260,917	2,000	www.pdsr.co.uk
Plymouth & South West Co-operative Society	1969	2,489,000		2,489,000	158,754	www.plymouth-coop.co.uk
Mid-Counties Co-operative Society	1969	30,251,000		30,251,000	178,000	www.midcounties.coop
Romney, Hythe & Dymchurch Railway	1971	728,503		728,503	n/a	www.rhdr.org.uk
West Somerset Railway	1971	1,387,045		1,387,045	n/a	www.west-somerset-railway.co.uk
Severn Valley Railway	1972	3,921,748		3,921,748	n/a	www.svr.co.uk
Great Central Railway	1976	2,821,041		2,821,041	n/a	www.gcrailway.co.uk
Scotmid Co-operative Society	1980	5,015,000		5,015,000	237,176	www.scotmid.com
Gloucestershire Warwickshire Steam Railway	1981	923,212		923,212	n/a	www.qwsr.com
Great Northern & East Lincolnshire Railway	1981	136,516		136,516	n/a	www.lincolnshirerailway.co.uk
Stonesfield Community Trust	1983	0	119,500	119,500	n/a	www.stonesfieldcommunitytrust.org.uk

Organisation name	Date established	Share capital	Member loans and bonds	Total member investment	No. of members	Website address
Traidcraft	1984	3,219,000		3,219,000	5,400	www.traidcraft.co.uk
Bluebell Railway	1985	5,000,000		5,000,000	1,100	www.bluebell-railway.co.uk
Bodmin and Wenford Railway	1985	472,599		472,599	n/a	www.bodminandwenfordrailway.co.uk
Peak Rail	1986	692,280		692,280	n/a	www.peakrail.co.uk
ICO Fund	1987	1,300,000		1,300,000	800	www.icof.co.uk
Shared Interest	1990	21,733,000	2,819,000	24,552,000	8,447	www.shared-interest.com
Centre for Alternative Technology	1990	1,000,000		1,000,000	1,800	www.cat.org.uk
Wyvern Rail	1992	443,630		443,630	n/a	www.e-v-r.com
Llangollen Railway	1992	528,212		528,212	n/a	www.llangollen-railway.co.uk
ICOF Community Capital	1994	789,399		807,984	489	www.icof.co.uk
Unicorn Grocery	1995	43	200,000	200,000	43	www.unicorn-grocery.co.uk
Triodos Renewable Energy Fund	1995	17,552,569		17,552,562	4,000	www.triodos.co.uk
Baywind Energy Co-operative	1996	1,994,067		1,994,067	1,334	www.baywind.co.uk
Tablehurst and Plaw Hatch Community Farm	1996	112,100		112,100	1,121	www.tablehurstandplawhatch.co.uk
Aston Reinvestment Trust	1997	455,350		455,350	238	www.reinvest.co.uk
Rootstock	1998	261,248		261,248	165	www.rootstock.org.uk
Citylife	1999	92,210	4,396,114	4,488,324	43	www.citylifeld.org
Hesket Newmarket Brewery	1999	35,000		135,000	90	www.hesketbrewery.co.uk
Ulster Community Investment Trust	1999	17,300		17,300	66	www.ucitltd.com
The Phone Co-op	1999	1,637,130		1,637,130	6,735	www.thephone.coop
Ethical Property Company	1999	9,559,351		9,559,351	1,324	www.ethicalproperty.co.uk
South Devon Railway	1999	499,750		499,750	n/a	www.southdevonrailway.org
South Coast Moneyline	2000	98,494		98,494	45	www.scmoneyline.org.uk
Wensleydale Railway	2000	2,084,368		2,084,368	n/a	www.wensleydalerrailway.com
Bro Dyfi Community Renewables	2001	213,000		213,000	55	www.bdcrr.org.uk
Ekopia Resource Exchange	2001	1,100,000		1,100,000	252	www.ekopia.findhorn.com
Derby Loans	2002	55,986		55,986	32	www.derbyloans.co.uk
London Rebuilding Society	2002	132,850		132,850	89	www.londonrebuilding.com
Good Energy Group	2002	3,410,359		3,410,359	1,700	www.goodenergygroup.co.uk

Organisation name	Date established	Share capital	Member loans and bonds	Total member investment	No. of members	Website address
Moelyci Environmental Centre	2002	29,914		29,914	418	www.moelyci.org
Black Country Reinvestment Society	2002	100,250		100,250	30	www.bcrs.org.uk
The Old Crown (Hesket Newmarket)	2003	220,500		220,500	147	www.theoldcrownpub.co.uk
Golden Lane Housing	2003	0	1,700,000	1,700,000	n/a	www.mencap.org.uk
Fenland Green Power Co-operative	2004	2,660,000		2,660,000	1,110	www.fens.coop
Cafedirect	2004	5,552,541		5,552,541	4,488	www.cafedirect.co.uk
Melmerby and Fellside Village Shop	2004	12,500		12,500	65	No website
Storth Community Co-operative	2004	11,000		11,000	n/a	No website
Westmill Wind Farm Co-operative	2004	4,400,000		4,400,000	2,304	www.westmill.coop
Berrynarbor Community Enterprise	2004	14,500		14,500	113	No website
Moneyline Yorkshire	2004	27,275		27,275	26	www.fisy1.co.uk
Metfield Stores	2005	12,000		12,000	40	www.metfield.org.uk
Community and Co-operative Publishing	2005	11,500		11,500	40	No website
FC United of Manchester	2005	250,000		250,000	3,440	www.fc-utd.co.uk
Boyndie Wind Farm Co-operative	2005	730,000		730,000	715	www.boyndie.coop
Fordhall Farm	2005	744,050		744,050	8,000	www.fordhallfarm.com
Headingley Development Trust	2005	50,941		50,941	708	www.headingleydevelopmenttrust.org.uk
Witherslack Community Shop	2006	25,000		36,000	n/a	www.witherslack.org
Torrs Hydro New Mills	2007	100,000		100,000	200	www.torrshydro.co.uk
Isle of Skye Renewables Co-operative	2007	812,000		812,000	500	www.skye.coop
Radley Village Shop Association	2007	15,890		15,890	150	www.radleyvillageshop.org.uk
Myfootballclub Society	2007	990,500		990,500	28,300	www.myfootballclub.co.uk
Ecos Fund	2007	650,000		650,000	110	www.ecostrust.org.uk
Blockley Co-operative Association	2007	5,000	28,475	33,475	500	www.blockleyshop.org.uk
natural Food Store	2007	110,000		110,000	220	www.naturalfoodstore.coop
Great Glen Co-operative	2008	1,288,270		1,288,270	667	www.greatglen.coop
Kilbraur Wind Energy Co-operative	2008	1,043,900		1,043,900	516	www.kilbraur.coop
Settle Hydro	2008	110,000		110,000	150	www.greensettle.org.uk/hydro/