

Social Forestry Pilot Project Final Report

Supporting woodland economies in AONBs — A multi-stakeholder, social forestry approach

In association with



**The National Association for
Areas of Outstanding Natural Beauty**

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1. Introduction

The Chair of the recent Independent Panel on Forestry, the Right Reverend Bishop of Liverpool, James Jones, suggests that as a society **“we have lost sight of the value of trees and woodlands.”**

The Bishop goes on to suggest, “We need a new culture of thinking and action around wood and woodlands, and a new way of valuing and managing the natural and social capital of our woodland resource, alongside the timber they contain.”

This Report argues that woodlands are good for people, good for nature and good for the green economy.

Key messages from the Report are

- we call on Government and other woodland owners to give as many people as possible ready access to trees and woodlands for health and well-being benefits. This means planting more trees and woodlands closer to people and incentivising more access to existing woodlands,
- England’s wildlife network and ecosystems urgently need to be protected and restored. Some of the nation’s most iconic wildlife depends on woods, trees and forests but evidence demonstrates real decline in this wildlife, and in the extent of ancient woodland. This means improving the condition of existing woodlands through sustainable management, expanding woodland cover, and restoring our most precious ancient woodlands and heathlands from plantation forestry and
- we urge Government, woodland owners and businesses to seize the opportunity provided by woodlands to grow our green economy, by strengthening the supply chain, and promoting the use of wood more widely across our society and economy.

In this report, we describe a set of pilot social forestry projects supported by the National Association for Areas of Outstanding Natural Beauty (NAAONB) and we suggest that social enterprise approaches are an increasingly important mechanism for delivering health and well-being benefits, environmental enhancement and economic outcomes. Social enterprises are “triple bottom line” organisations, and have proved in a wide range of sectors that they can deliver these benefits both directly, or by supporting the operation of other economic factors.

The Background

The NAAONB bid for and received funding from DEFRA to support “social forestry” pilot projects in 8 Areas of Outstanding Natural Beauty (AONB). The pilot work was linked to exploring non exchequer funding for delivery of AONB partnership objectives. However, the key aim has been to explore ways in which AONB partnerships¹ can support social enterprise development, in order to help deliver AONB core objectives of “conserving and enhancing natural beauty” in protected landscapes.

¹ AONB partnerships with a lower case p is the generic term used by the NAAONB to describe organisations who govern AONBs including AONB Partnerships and Conservation Boards.

Trees and woodlands are important landscape assets in most AONBs. As landscape assets, woodlands are facing a range of serious issues:

- they are often not being actively managed in ways that enhance biodiversity,
- they are often not being economically managed, so that their potential for producing products such as wood fuel is not being achieved and
- local communities are generally unable to enjoy the potential benefits that woodlands can provide, such as physical activity, learning and skills development and mental well-being.

There is increasing recognition within the AONB network that social enterprises can be effective agents for delivering landscape management activity, such as in the sphere of woodland management. This can assist the delivery of AONB strategies, and therefore social enterprises should be understood as potential key members of AONB partnerships, alongside land managers and local businesses.

The 8 social forestry pilot projects described in this report demonstrate a range of ways in which social enterprises can play a role in delivering AONB objectives. In addition, the project demonstrated the importance of providing specialist support, in areas such as legal structures, business planning, finance and land tenure. The appendices to this report contain guidance, “tools” and links to a range of organisations which can provide such support.

2. Social forestry and social enterprise

There is no commonly accepted definition of social forestry. In broad terms it is an approach that involves engaging communities with the ownership or management of woodlands, and the production, distribution and sale of woodland-related products and services. Those communities could be geographical communities or communities of interest. The structures utilised might be

- charities, which, for example, might own woodland assets or deliver services linked to woodlands,
- social enterprises, which are “not for profit” organisations delivering services for the benefit of the community and
- co-operative and mutual organisations, which are owned and controlled by their members – e.g. employees, small contractors or consumers.

The 8 pilot projects illustrate this diversity, and demonstrate that social forestry approaches can deliver combinations of outcomes not currently being delivered by mainstream forestry approaches. Recently a national **Woodland Social Enterprise** Network has been established, and it may be that this terminology better reflects the types of work being undertaken by the 8 pilot projects.

Social enterprise can be thought of as a particular **type of organisation** i.e. a business with a primary social or environmental aim, which returns any surplus to the community which it serves or as an **activity** carried out alongside the existing programmes of community and voluntary sector organisations i.e. trading activity which either meets the primary purpose of the organisation or creates surpluses to fund services for the community.

Enterprises are organisations which undertake an endeavour, and are usually thought of as businesses in the traditionally, profit-maximising sense. However, over the last ten years the concept of “social enterprise” has grown in prominence, and these organisations seek a blend of public and private, or social and financial return.

The diagram below illustrates this way of thinking about organisations in relation to the position they occupy along an “economic spectrum”.

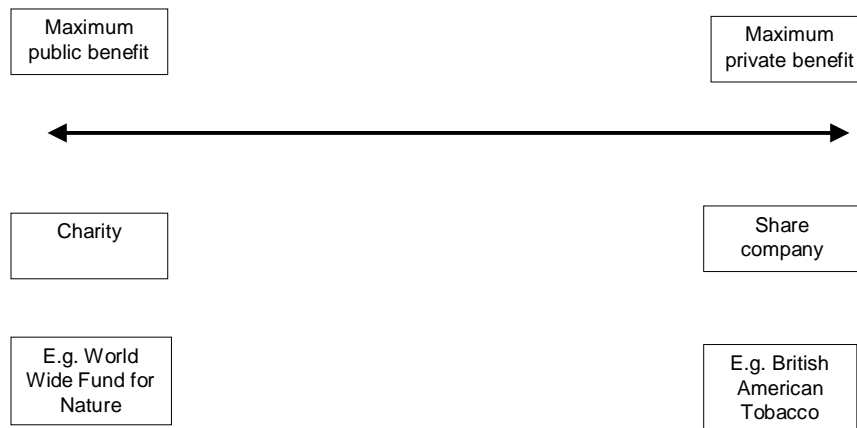
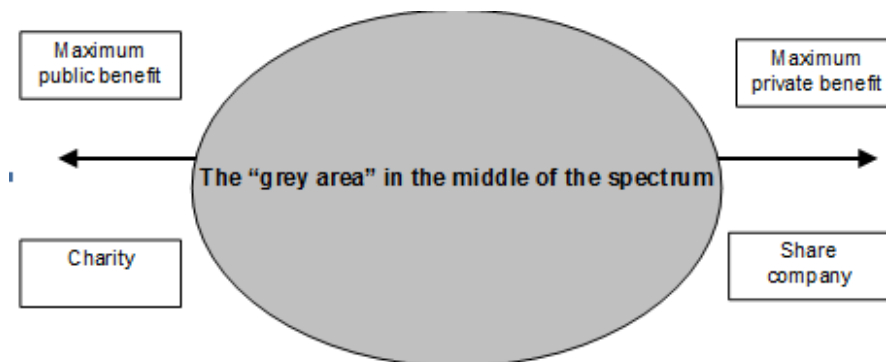


Figure 1: The economic spectrum

A social enterprise sits in the middle of this spectrum. However, it is difficult to define exactly what it is, since social enterprises combine elements of public and private benefit.

Figure 2: Locating social enterprise on the economic spectrum

The diagram below demonstrates how social enterprises share with the voluntary and community sector an emphasis on mobilising resources from the community and from public/philanthropic



is where social enterprises operate

sources, but add an additional emphasis on securing resources in the form of trading income (including contracts) and, in some cases, an asset base. The size of the arrows shows the differing emphasis between voluntary and community sector (VCS) initiatives, on the one hand, and social enterprise activity, on the other.

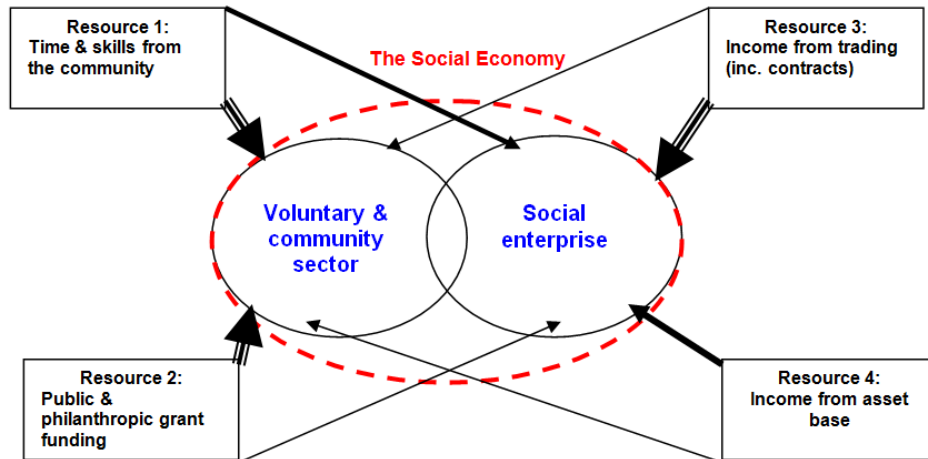


Figure 3: Resources mobilised by organisations in the social economy

As will be seen below, some community woodland initiatives are located within the voluntary and community sector (VCS), while others better fit the definition of social enterprise i.e. they derive at least 50% of their income from trading or an asset base. However, the distinction between the VCS and social enterprise is increasingly blurred, as the VCS now receives 50% of its income from trading, contracts and assets.

In addition, some of the initiatives emerging in the field of “woodland social enterprise” might be better described as co-operative or mutual enterprises. For example, individual woodland contractors might establish a processing “hub”, or a secondary marketing co-operative for wood fuel and other forest products.

Finally, as will be explained later, a social enterprise intervention might work with co-operatives or private businesses, in order to improve the functioning of the overall woodland economy. This might include leasing community owned woodland to private enterprises, putting in place a processing platform or rural design studio, or creating routes to market for woodland enterprises by setting up woodland products fairs and consumer co-operatives e.g. for wood fuel. The diagram below illustrates the spectrum of different types of organisation.

High social return						High financial return	
Charities/vol orgs		Revenue generating social enterprises			Socially driven business	"Traditional" business	
No trading revenue	Trading revenue & grants	Potentially sustainable: 50%+ trading revenue	Breakeven – all revenue from trading	Profitable – surplus not distributed	Profit distributing – socially driven/mutual	Profit maximising	
Woodland Trust		Wyre CLT Neroche Woodlanders Bittern Countryside CIC West Dorset Woodfuel Co-op / Bridport Energy Services Ltd Manchester Tree Station			Woolhope IPS Dartmoor Woodfuel Co-op Forest Fuels		

Figure 4: The range of organisational forms within the woodland economy

3. The woodland economy

The woodland economy can be understood as a chain moving from primary production through basic processing and value added processing and then to the distribution and retailing of products to customers. The diagram below illustrates possible operations along this supply chain, focusing on the wood fuel sector

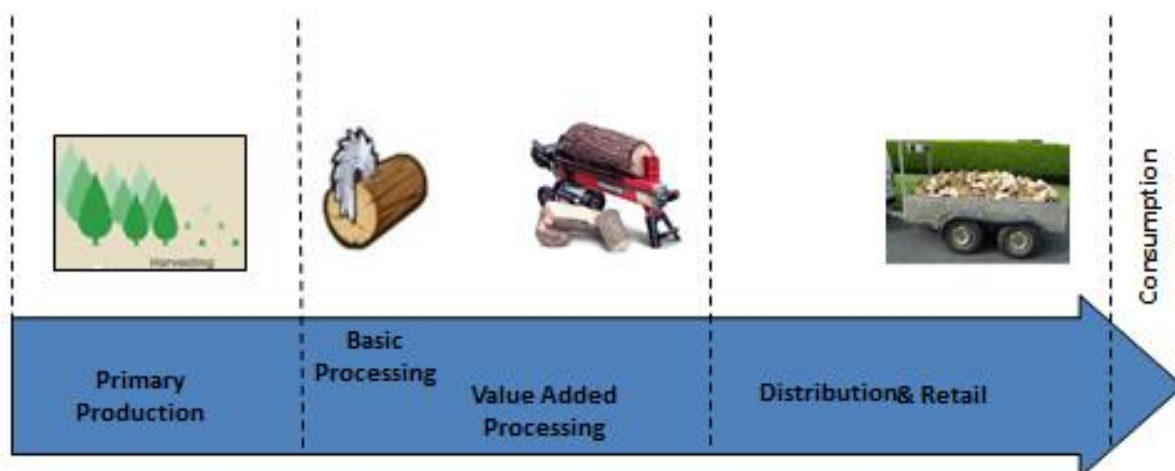


Figure 5: The wood fuel supply chain

The latest National Statistics on forestry produced by the Forestry Commission were published in the web publication Forestry Statistics 2012. They include UK statistics on woodland area, planting, timber, trade, climate change, environment, recreation, employment and finance & prices as well as some statistics on international forestry. The key points from the latest releases are

- the woodland area in the United Kingdom in 2012 is 3.1 million hectares: 1.4 million hectares (44%) are independently certified as sustainably managed,
- 10.3 million green tonnes of UK roundwood (softwood and hardwood) were delivered to primary wood processors and others in 2011, representing a 3% increase from the previous year,
- wood products imported into the UK in 2011 were valued at £6.8 billion and included 4.9 million cubic metres of sawnwood, 2.8 million cubic metres of wood-based panels, and 6.9 million tonnes of paper,
- the UK was the third largest net importer (imports less exports) of forest products in 2010, behind China and Japan,
- a total of 58 projects were registered under the Woodland Carbon Code at 30 June 2012, covering an area of 2.8 thousand hectares of woodland and projected to sequester 1.3 million tonnes of carbon dioxide,
- in 2011, 48% of UK woodland was assessed as being accessible to the public; around two thirds of the UK population had visited woodland in the last few years and
- the Annual Business Survey reported average employment in 2010 of 14,000 in forestry and 29,000 in primary wood processing.

Woodlands make a significant contribution to the UK economy, as they provide key inputs into a wide range of sectors. This economy can be understood by looking at the key areas of consumption, as detailed in the Household Expenditure Survey:

- food,
- housing (including household goods and services),
- energy,
- health & care and
- recreation, culture & education.

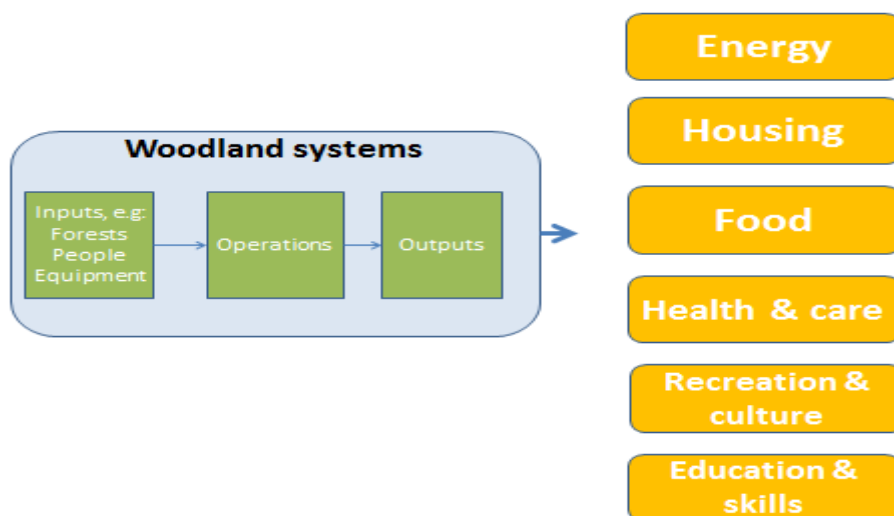
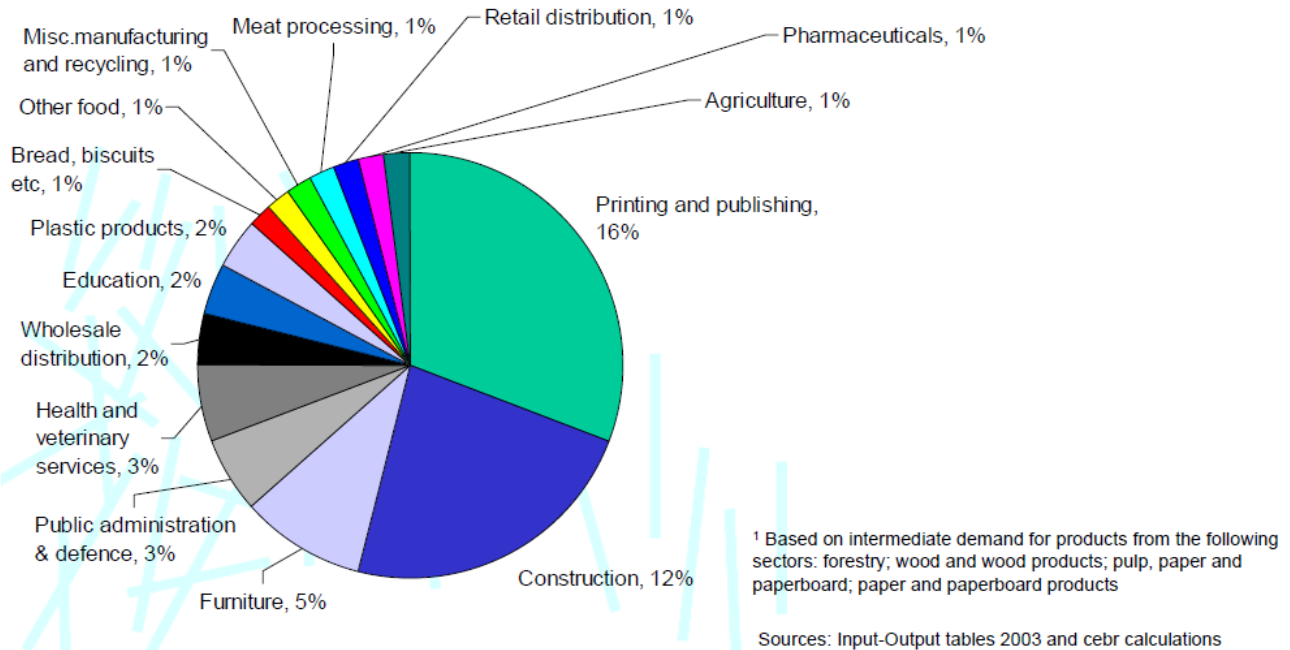


Figure 6: The woodland sector's contribution to other economic fields

The diagram below illustrates the contribution of woodland products to these and other sectors.

Proportion of total intermediate demand for forestry products¹ by industry, 2005



© centre for economics and business research ltd, 2006

Source: ConFor (2006)

The UK's woodlands could play a larger role in these sectors. However

- the potential economic contribution of forests is not fully realised in England. 47% of all woodlands are not managed at all,
- where forests are managed, the model is an industrial one focused on economic efficiency, with products tending to be low value and with little added value. There is often a negative impact on bio-diversity, due either to a focus on mono-culture and clear-felling, or an under-management of the woodland,
- the potential social contribution of woodlands is seldom fully realised, particularly in relation to health & care, and recreation, culture & education and
- the potential eco-system services provided by woodlands are also not realised.

Woodlands are not merely an economic resource to be exploited. They must first of all be understood in ecological terms, as natural capital assets that should be appreciated and invested in. They are a key element of the UK landscape, they are potential bio-diverse havens for a wide range of flora and wildlife, and they provide a wide range of eco-system services. Woodlands can be understood as natural capital "stocks" which deliver a range of services such as provisioning. These ecosystem services flow like interest or dividends from those woodland "stocks".

According to DEFRA, "Ecosystem services are defined as services provided by the natural environment that benefit people. Some of these ecosystem services are well known and include food, fibre and fuel provision and the cultural services that provide benefits to people through recreation and appreciation of nature. Other services provided by ecosystems are not so well known. These include the regulation of the climate, the purification of air and water, flood protection, soil formation and nutrient cycling." (Defra, 2007)

Woodland social enterprises could play a key role in bringing under-managed woodlands back into active management. In addition, by mobilising local community volunteers and trainees, such social enterprises can create an appreciation in the value of woodlands, rather than taking an approach that focuses primarily on maximising the financial return from woodlands. The diagram below, showing the range of possible social enterprise initiatives that might take place within a woodland economy context, illustrates that there are a wide range of interventions that a group might undertake.

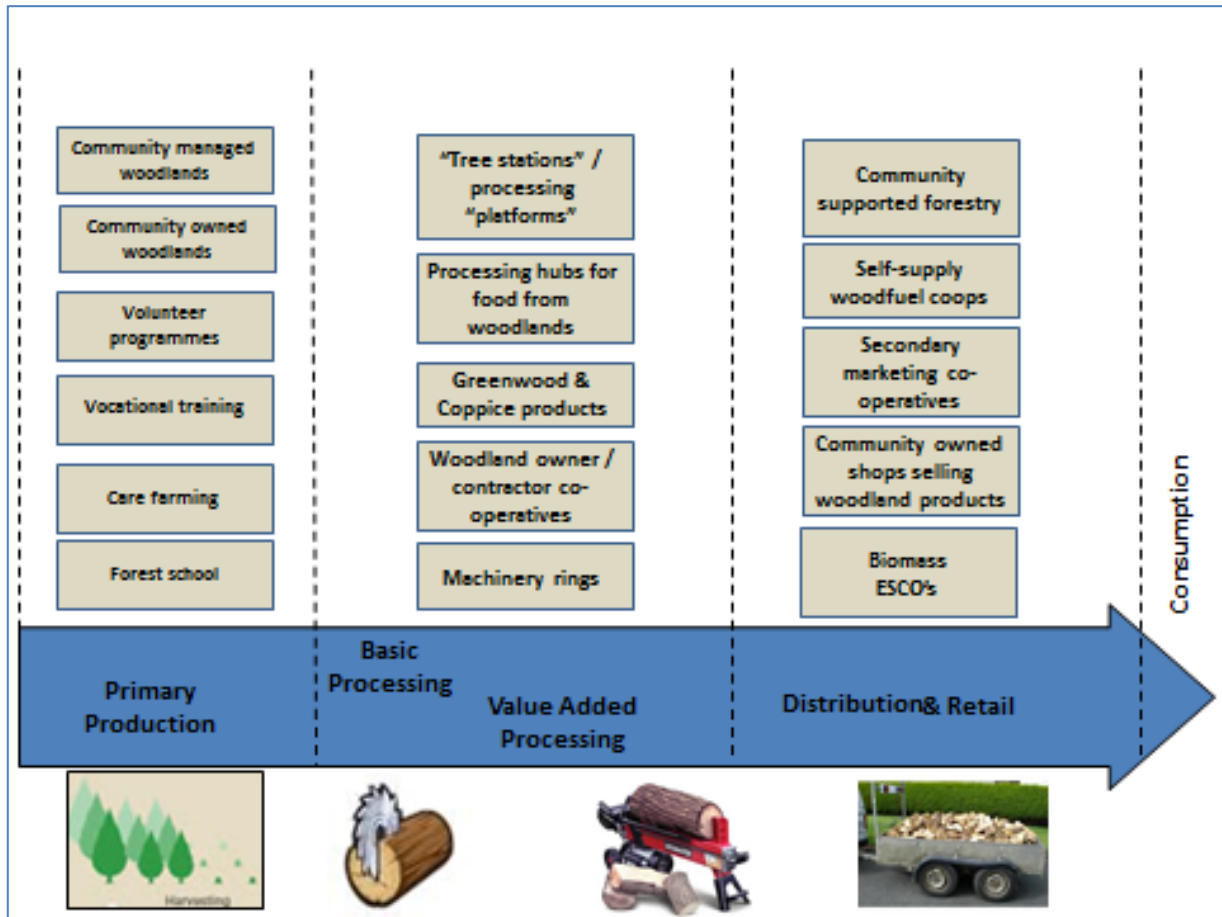


Figure 7: Possible initiatives along the woodland economy "supply chain"

4. The 8 pilot projects – an introduction

Pilot Project Partner	Brief Description of project	Added Value from Participation in Pilot Project	Proposed Tool/ Learning to emerge from pilot
Arnside & Silverdale AONB	As part of the NIA to establish (i) a Sustainable Firewood Project working with 10 households & 2 small contractors, with a view to (ii) establish a larger co-op and a viable Wood Fuel Platform that enhances existing woodland enterprises whilst expanding the market for products derived from conservation management	Legal and technical support to make best use of existing social enterprises and support development of a sustainable wood fuel market	A sustainable investment model for NIA and AONB project delivery Model rules for a wood fuel co-op A route map for establishing a wood fuel HESCO
Dorset AONB	Establishing a wood fuel co-op that links local woodland owners, volunteers and customers around the wood fuel market	Legal and technical support to establish and support a wood fuel co-op	Model rules for setting up a wood fuel co-op (IPS)
Kent Downs AONB	KWES - Kent Woodland Employment Scheme is a new charity set up to provide training and employment for ex-Service personnel, young people and ex-offenders in Kent's ancient woodlands. Joint ambitions to train new generation of woodland workers whilst bringing neglected woodland back into productive use.	Legal support to establish management agreements between KWES and woodland owners to facilitate woodland training and economic use of woodland products	Model agreements for use between landowners and social enterprises establishing the criteria and conditions for long term management arrangements and use of woodland products
Neroche Project	Establishing a Community Benefit Society as a means of driving and securing community participation in management of the Public	Legal support to assist in the establishment of a Community Benefit Society able to enter legal	Model rules for establishing a woodland management CBS

	Forest estate.	arrangements with the Forest Enterprise	
North Pennines AONB	Part of a Landscape Partnership scheme looking to plant new woodland and re introduce active management to small, fragmented woodlands in upland valley system.	Legal and technical support to establish management agreements with landowners and possible share issues for micro hydro schemes to cross subsidise woodfuel projects in farm woodlands	Model agreements for use between landowners and community groups to secure management of small woodlands and economic use of products A sustainable investment model for AONB project delivery
Quantock Hills AONB	Facilitating a woodland asset transfer from Somerset County Council into Community ownership	Legal support to the Parish Council to ensure	Model agreements for asset transfer of woodland from public to community sector
Surrey Hills AONB	Facilitating active woodland management through the Surrey Hills AONB CIC by brokering management arrangements between landowners and woodland contractors	Sharing of experience and input of advice to woodland owners	Model agreements for use between landowners and social enterprises to secure management of small woodlands and economic use of products A sustainable investment model for AONB project delivery
Tamar Community Trust	Asset transfer of Duchy of Cornwall owned woodland to the TCT for management by community volunteers Testing use of a share company to drive renewable energy schemes and provide longer term finance for AONB Management Plan delivery	Legal support to set up and run a community share issue for woodland purchase Legal support to establishing a share company for micro hydro investment with long term payback to AONB Trust	Model rules for a CBS and a Prospectus for community share issue for woodland purchase Model rules for establishing micro-hydro share company Sustainable investment model for AONBs

5. The Pilot Projects

Arnside and Silverdale



Situated in the north west of England, spanning the county boundary of Cumbria and Lancashire, Arnside & Silverdale AONB was designated in 1972. Covering 75 sq km, this is one of the smallest of England's AONBs. The landscape includes limestone pavements, ancient woodlands, meadows, wetlands, and coastline. Unimproved pasture and the exposed limestone outcrops are rich in rare butterflies and wildflowers such as the High Brown Fritillary and Lady's slipper orchid.

There are almost 10,000 people living in the AONB, mostly in the communities of Arnside, Silverdale and Warton. There are 2 major landowning estates but other large areas are owned and/or managed by conservation organisations such as RSPB, The National Trust and the Wildlife Trusts. Two thirds of the AONB is protected by SSSI and County Wildlife designations. Farming, along with tourism, is the main economic activity.

Woodlands in Arnside and Silverdale are under-managed, and this has a negative impact on both biodiversity and the local economy. The AONB is participating in a Nature Improvement Area programme, which includes funding from Natural England to establish (i) a Sustainable Firewood Project working with 10 households and 2 small contractors, with a view to (ii) establish a larger co-op and a viable Wood Fuel Platform that enhances existing woodland enterprises whilst expanding the market for products derived from conservation management.

The NAAONB Social Forestry Pilot Project supported two workshops, which aimed to explore the feasibility of these proposals. A range of stakeholders came together to explore how to develop the wood fuel economy in the AONB. The stakeholders ranged from woodland owners and contractors to NGOs and community enterprises. The range of initiatives being explored reflect this stakeholder base.

Three priority areas emerged from the first workshop:

- a proposal for a Wood Fuel Network – administered by the AONB Partnership with activities including demonstration events and visits to other projects,

- quality accreditation / kite marks e.g. HETAS approved Woodsure Plus scheme and
- infrastructure and products e.g. bringing brash and low grade products into the supply chain, or establishing a community wood fuel platform.

A key issue identified was the relationship between community-led initiatives on the one hand, and the two estates plus the small contractors on the other hand. Community-led schemes could include

- woodshare schemes – like a CSA (Woodmatters <http://www.woodmatters.org.uk/woodshare>),
- community-led storage and distribution platform and
- self-supply wood fuel schemes

At the second workshop, four proposed actions were explored, following an exploration of working examples from elsewhere in the country:

- Wood Fuel Network,
- quality accreditation,
- improving the supply chain – actions by producers and contractors and
- improving the supply chain – citizen-led actions

The diagram below explains the stakeholders involved, and the different initiatives that are being explored. Some will be developed by a social enterprise, the Bittern Countryside Community Interest Company, while others may be developed through co-operative mechanisms created by private contractors and woodland owners.

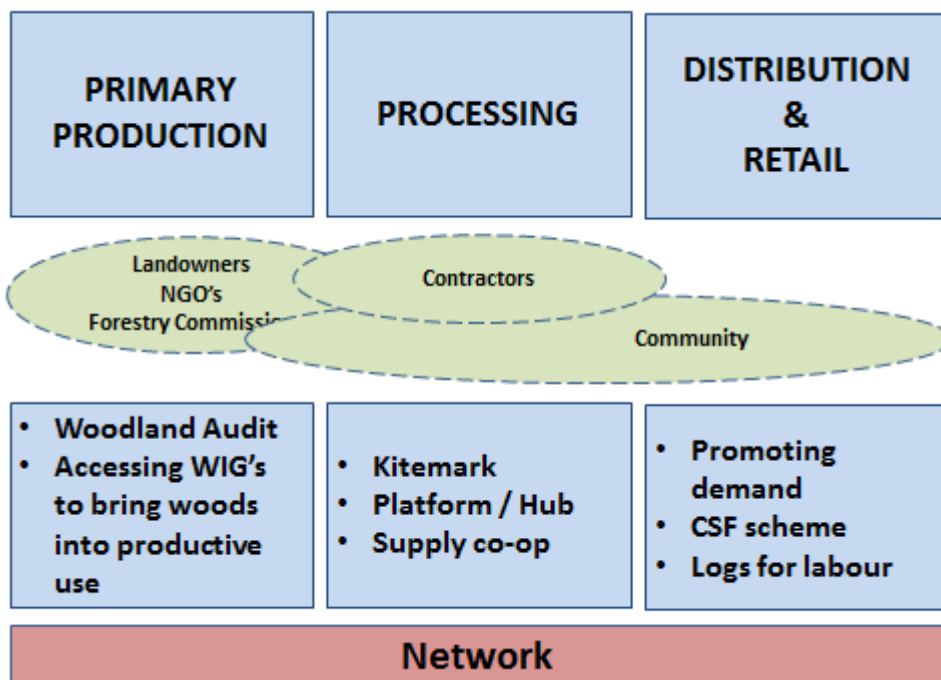


Figure 8: Wood fuel sector development in Arnside & Silverdale

Blackdown Hills AONB



Blackdown Hills AONB is best known for the dramatic, steep, wooded scarp face they present to the north. To the south, the land dips away gently as a plateau, deeply dissected by valleys. On top of the plateau there are wide open windswept spaces; in the valleys nestle villages and hamlets surrounded by ancient and intricate patterns of small enclosed fields and a maze of winding high-hedged lanes. Farming, largely dairying, has retained many traditional practices. The area remains sparsely populated and there are no towns within the AONB.

One of the important woodlands in the Blackdown Hills is the Neroche Forest, managed by the Forestry Commission. From 2005 to 2011 the Neroche Landscape Partnership Scheme received support from the Heritage Lottery Fund and a range of local partners, working closely with the local community. During that period, the partnership focused on protecting, celebrating and benefitting the heritage of the northern Blackdown Hills, for quiet enjoyment, education and training in countryside skills, using the public forest estate as a base.

When this funding came to an end, some of the partners decided to explore the potential to set up a social enterprise to take forward the work of the partnership. The Forestry Commission offered to lease Young Wood, part of the Neroche Forest, to a community based group linked to the Blackdown Hills AONB Partnership.

The NAAONB Social Forestry Pilot Project provided initial advice to the key stakeholders, and then facilitated a workshop to identify a suitable strategy and legal structure for the social enterprise. It was suggested that the following would need to be looked at in order to make an informed decision regarding the legal structure:

- the core purpose of the proposed organisation,
- the key stakeholders and their motivations,
- the proposed services of the organisation,
 - a. wood fuel and other value added products,
 - b. training courses and
 - c. commissioned services, education, etc.
- market opportunities and risk factors,

- key operations,
 - a. timber processing,
 - b. management and administration of training and
 - c. management and administration of “social forestry” activity
- the key inputs required,
 - a. people,
 - b. buildings, equipment and
 - c. land
- the finance required (grants, loans, equity),
 - a. pre-start up,
 - b. start-up – revenue,
 - c. start-up – capital and
 - d. on-going – working capital
- the legal options for structuring a social enterprise,
 - a. charitable company,
 - b. community interest company,
 - c. community Benefit Society (IPS) and
 - d. co-operative Society (IPS)
- putting it all together: strategy and structure and
- next steps.

At the workshop, it was agreed that the proposed services of the new organisation would include

- wood fuel and other value added products,
- training courses and
- commissioned services, education, etc.

Then, following an assessment of appropriate legal structures, it was decided that a Community Benefit Society would be established.

Wessex Community Assets provided Model Rules for the new Community Benefit Society, which was subsequently registered as Neroche Community Woodlanders Ltd. See <http://www.youngwood.org.uk>

One of the reasons for selecting the Community Benefit Society structure was that it would allow the organisation to undertake a low cost community share issue. Although the organisation will not need to raise the capital finance to purchase the woodland, it will, at some stage, need to put in place the infrastructure required to deliver the services outlined above, and so could consider a community share issue to raise a proportion of the finance. This could then be matched against grants or loans. See the appendices for further information on IPSs and community share issues.

Dorset AONB



Dorset AONB covers 44 per cent of Dorset. Curving through the county to the sea, the dominating chalk ridge of Dorset underpins the AONB's landscape. It stretches in a broad band of downland from the Upper Axe Valley eastwards to the Stour Valley near Blandford Forum. A southern arm circles Dorchester and extends to the Isle of Purbeck. The rural landscape varies from the ridges and valleys of central Dorset, through chalk ridges and limestone plateau to the sandy heaths and flats of Poole Harbour.

Agriculture is the major land user, including mixed arable, dairying with beef and sheep grazing. There are around 28,000 hectares of woodland in Dorset. Between 1946 and 1975, at least half of the ancient woodlands in Dorset lost their ancient woodland characteristics through the planting of non-native species, reduction in appropriate management and lack of economic value. The remaining 50% maintain many ancient woodland characteristics but many suffer from inappropriate management.

In 2012, the Dorset AONB's Sustainable Development Fund supported the setting up of a West Dorset Wood Fuel Co-op. The initiating organisation was the Bridport Renewable Energy Group CIC. Subsequently the wood fuel co-op was supported by the NAAONB Social Forestry Pilot Project. The aim was to establish a wood fuel co-op that links local woodland owners, volunteers and customers around the wood fuel market.

A launch meeting was held in early 2013, attracting 45 people, and subsequently an initial training session on woodland ecology and management, with a forester from the Dorset County Council Ranger Service, was attended by 22 people. Following the training session, a practical session was held at a woodland managed by the Ranger Service, with around 80 young alder being cut down and sawn up for distribution to volunteers.

The next steps are

- finalise a community woodland business plan for the Bridport area,
- complete contractual arrangements for long term-lease of a Woodland Trust woodland. The community woodland will be managed sustainably with income from sale of logs and will offer

facilities for social projects including Forest School activities, training events, community volunteer opportunities, etc.,

- prepare a woodland management plan in association with the Forestry Commission, including wood fuel production and specifically designed to benefit biodiversity, access and recreation,
- establish a local volunteer network and commence woodland management/training activities with a target of 30 volunteers/co-operative members to have engaged with the project over 3 years,
- explore social projects linked to the community woodland and provision of training courses and
- research purchase of local woodland through the Bridport Energy Services Company (a Community Benefit Society set up by BREG). This would be achieved with financial support through lottery funding (£9000 potentially available) in conjunction with a local share issue.

East Devon AONB



East Devon AONB has been a nationally protected landscape since 1963. The coastline is internationally important, forming part of the Dorset and East Devon Coast World Heritage Site – England’s first natural World Heritage Site. Inland, the landscape rises to high, flat and surprisingly remote plateaux, often topped by heathland commons, particularly in the west. In the north it breaks into the hilly country fringing Honiton. The plateau is incised by the north-south flowing rivers Axe, Sid and Otter which wind to the sea through quiet, hedge-bordered meadows. The population (approx. 15,000) is spread between small towns and villages. The major occupations are farming and tourism, although fishing is still a way of life in villages such as Beer. Agriculture is predominantly dairy, but includes sheep, cereals, pigs and poultry.

The NAAONB Social Forestry Pilot Project worked with the Axewoods wood fuel co-operative, which was set up with the support of the East Devon AONB in 2010. This followed an initial woodland survey in 2008, when seventy five letters were sent out to a dataset of woodland owners in East Devon provided by the Forestry Commission. 345 acres or 40% of small private woodlands within this survey were found to be totally unmanaged.

In April 2009, John Bell, Silvanus and English Food and Farming Partnerships were commissioned through the AONB Sustainable Development Fund to investigate two scenarios for a wood fuel co-op based on six woodland holdings. The project sought to review the financial viability of a co-op based on paid versus unpaid positions. The conclusion reached was that much of the existing unmanaged woodland in the Axe Valley is not viable on a commercial basis due to poor access, steep slopes and the small size of holdings. Subsequently, owners and volunteers broadly supported working for lower priced fire wood and access to woodland (which would otherwise be denied to them) for wildlife enhancement activities, recreation and education purposes. To test the viability of a single working woodland parcel, a consumer coop was established through EFFF in August 2010 with a woodland coordinator (John Bell). This pilot project finished in January 2011.

The Axewoods co-op was able to share its experience with the other pilots, and was also seeking to explore new approaches to achieving financial viability including paying for a co-ordinator. See <http://axewoods.org/>

Kent Downs AONB



Kent Downs AONB runs from the Surrey border in a widening ribbon of rolling countryside to meet the sea at the cliffs of Dover. Inland, the Downs rise to over 240m, cresting in a prominent escarpment above the Weald to the south. Other distinctive landscape elements include the fast disappearing traditional Kentish orchards and hop gardens and the rich wooded foreground of the upland ridges. A prosperous farming area, its high grade land is in intense agricultural and horticultural use. The AONB, bordered by large and expanding urban areas including Ashford, Maidstone and the Medway towns, as well as the ports of Dover and Folkestone, has a large commuter population and the North Downs are a heavily used local recreational resource.

The pilot project supported by the NAAONB was KWES - Kent Woodland Employment Scheme. This is a new charity set up to provide training and employment for ex-Service personnel, young people and ex-offenders in Kent's ancient woodlands. The aim is to train a new generation of woodland workers whilst bringing neglected woodland back into productive use.

Representatives of Kent Woodland Employment Scheme attended a training session organised by the Community Land Advisory Service (CLAS), where it was possible to explore the implications of a range of land tenure agreements, as well as how to approach negotiations. Hence the training explored such things as Heads of Terms, Leases and Licences. More information about the training is included in the appendices, and CLAS can be contacted through <http://www.communitylandadvice.org.uk>

North Pennines AONB



North Pennines AONB was confirmed in 1988 and is the second largest of the AONBs. One of the most remote and unspoilt places in England, it lies between the Yorkshire Dales and Northumberland National Parks, with the former West Durham Coalfield to the east and the Eden Valley to the west. About 12,000 people live in the North Pennines today – less than half the number who lived there 140 years ago in the heyday of the lead mining industry. The rise and fall of mining has left an indelible imprint on the landscape, not just in terms of the physical remains but also in the pattern of local settlement. The area is famous for the variety and profusion of plants and animals found here. Eighty percent of the AONB benefits from the continuation of less intensive and more traditional farming practices, which means that large tracts of the area are still a haven for wildlife.

The North Pennines AONB facilitates the Allen Valley Landscape Partnership scheme, which is looking to plant new woodland and re-introduce active management to small, fragmented woodlands in upland valley system. As part of the Pilot Project programme, the Landscape Partnership wished to receive support to explore the possibility of undertaking share issues for micro hydro schemes to cross subsidise wood fuel projects in farm woodlands.

For most of the AONBs involved in this programme, the focus has been social enterprise approaches in the forestry sector. This has proved less relevant for the Allen Valley although surpluses from successful social enterprise activity could support forestry initiatives in the future.

At a workshop held on 9th July, 2013, it was agreed that the Allen Valley Partnership would explore the feasibility of creating a social enterprise to implement community renewable schemes, including photovoltaic (PV) and biomass installations on community facilities. The notes below summarise the discussions held at the workshop on 9th July.

1. The scope of activity being proposed

A range of possible activities were discussed, including electric bike hire. However, it was agreed that this initiative would be carried out in the first instance by the Partnership itself. Participants at the workshop then discussed the potential to raise funds from the local community to fit renewable energy installations onto community buildings such as schools or doctors' surgeries.

2. The possible legal structures

There are a range of legal structures which can be adopted by social enterprises. The most common are

- a charitable company, where the proposed trading activity falls within the “primary purpose” of the charity. It is now possible to establish a charitable incorporated organisation (CIO) through the Charity Commission, which saves having to register also with Companies House,
- a company limited by guarantee, registered at Companies House,.
- a company limited by guarantee, registered as a Community Interest Company (CIC),
- a Co-operative Society, registered under the Industrial and Provident Society legislation with the Mutuals Team at the Financial Conduct Authority (FCA) and
- a Community Benefit Society, again registered with the FCA.

There are a range of considerations to take into account when selecting an appropriate legal structure. When looking specifically at an organisation which could undertake community renewables installations, three particular issues need to be considered:

- is an asset lock required?,
- is there the intention to distribute profits? and
- is there the intention to raise funds through a community share issue?

Recent experience in the UK indicates that consideration of these issues will result in the selection of a Community Benefit Society as the most appropriate structure.

3. The advantages of selecting a Community Benefit Society (CBS)

a. Asset lock

Community Benefit Societies, alongside charities and CICs, have a statutory asset lock, meaning that members cannot close down the organisation and disburse the value of the assets amongst themselves. This is an important feature, as it gives confidence to people or organisations providing funding.

b. Non profit-distributing

A CBS is not allowed to distribute surpluses in the form of dividends. This again can assist with fund-raising. However, if a CBS undertakes a share issue (see below), it can pay a “reasonable” level of interest to members. In addition, it is worth noting that the FCA is uncomfortable with Co-operative Societies undertaking share issues for renewable energy schemes when the members do not receive energy directly, because then it appears that the co-op is more of a financial vehicle than an energy co-op.

c. The ability to undertake community share issues

Charities and CICs are not able to undertake community share issues if they are set up as companies limited by guarantee. A CIC set up as a share company, or a share company established as a subsidiary of a charity, could undertake a share issue, but would be subject to the Financial Promotions Regulations. These add an unavoidable layer of cost of at least £50,000 (solicitors’ fees, accountants’ fees, bank fees, etc). Co-operative Societies and Community Benefit Societies are exempt from these regulations, and this has allowed a large number of community share issues to take place over the last 5 years. For the reasons given under a and b above, the Community Benefit Society route is generally the most common approach. At the

workshop on 9th July, this was the structure agreed on as the most appropriate for supporting community renewables projects in the Allen Valley.

4. Next steps

There are a number of registering bodies for Community Benefit Societies, including Co-ops UK, the Plunkett Foundation and Wessex Community Assets. All three should be approached to explore the services they offer and the fees which they charge.

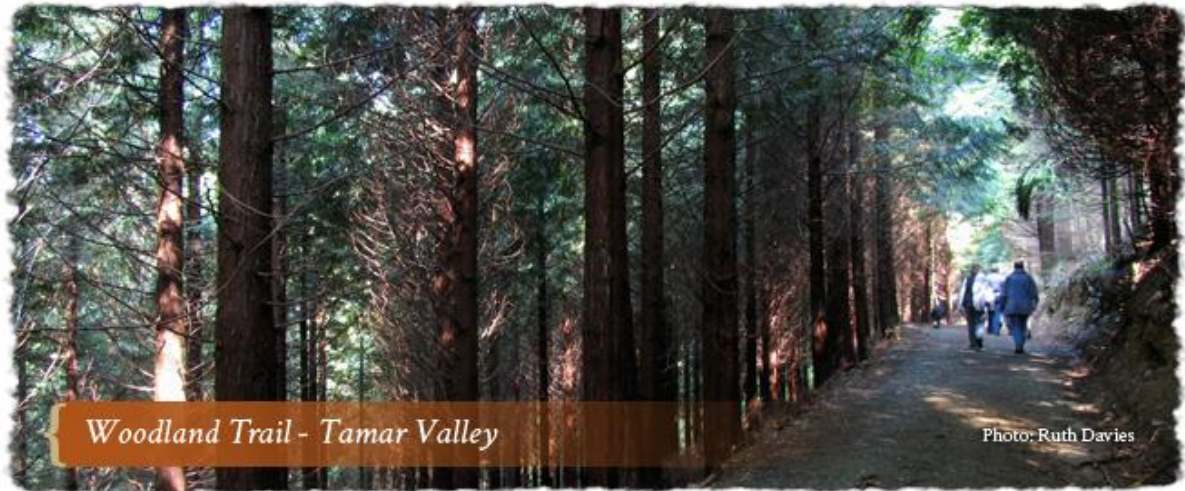
Surrey Hills AONB



Surrey Hills AONB links together a chain of varied upland landscapes including the North Downs. Rising near Guildford as the narrow Hog's Back, the ridge of the downs stretches away to the Kent border, an unmistakable chalk landscape of swelling hills and beech-wooded combes with a steep scarp crest looking south to the Weald. The AONB's fine deciduous woodlands have considerable ecological importance as do the AONB's surviving stretches of chalk grassland and unimproved heath. Unlike almost all other AONBs, farming and horticulture is a minority occupier of the land. Increasingly, holdings are bought up by non-farmers and worked part-time or used for paddocks. Being within easy reach of London and skirting major centres such as Guildford, Epsom, Sutton and Reigate, the AONB's economy is inevitably commuter-based, with the addition of small-scale craft industry.

The AONB Partnership has been part of the networking process supported by the NAAONB Social Forestry Pilot Project. It has also been involved in a range of initiatives to support the woodland sector in the Surrey Hills.

Tamar Valley AONB



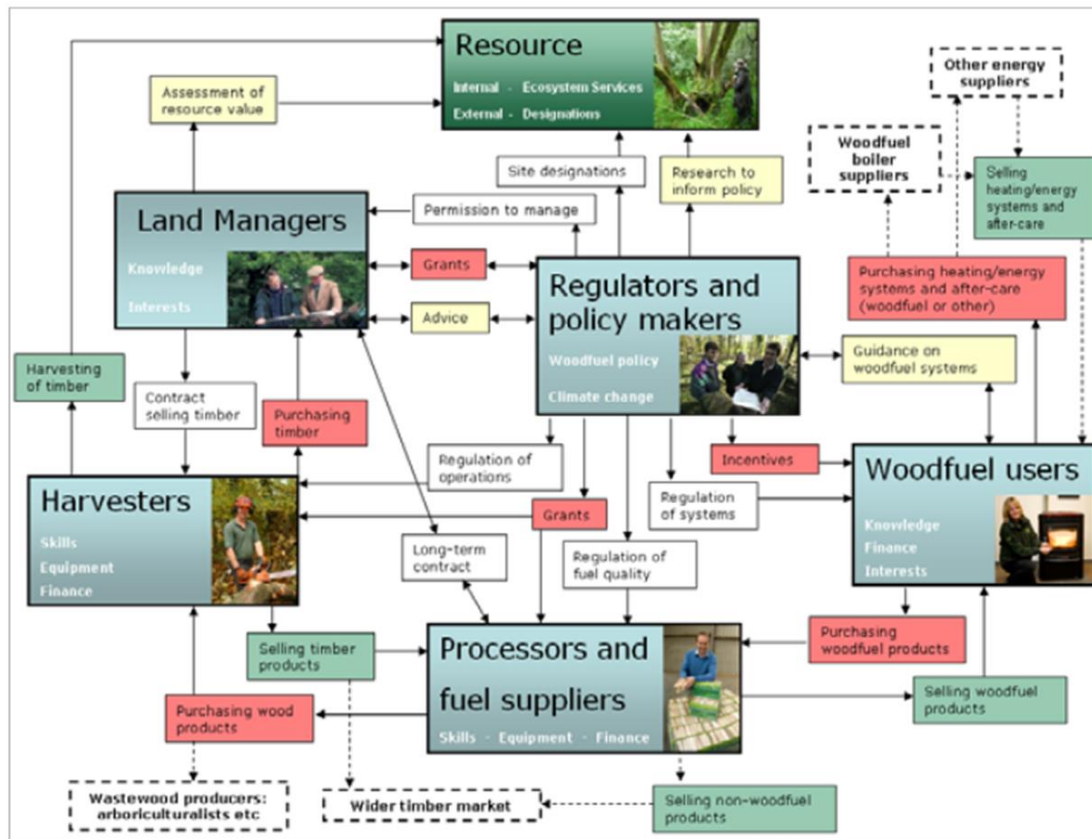
Rising on the borders of Cornwall and Devon, the rivers Tamar, Tavy and Lynher, form one of the last, unspoilt drowned valley river systems in England. On their passage to the broad estuary near Plymouth, the rivers flow through a series of deep meanders, steep gorges and wooded valleys. A ribbon of woodland extends along the Estuary margin although it is often no more than a mature hedgerow above a steep earth bank. People have lived in the Tamar Valley for centuries, and the diverse scenery reflects the impact of their activities in an area rich in natural resources. Field patterns disclose ancient farming practices, disused mine workings reveal intensive mining activity during the 18th century, and old orchards scattered on the warm, south-facing valley slopes are the remnants of market gardens that were widespread in the area at the beginning of the 20th century.

There are a number of organisations active in social forestry in Tamar Valley AONB, and they have been supported through the EU CORDIALE Interreg Project. See: <http://www.cordialeproject.eu>

One of the areas of support provided by the NAAONB Social Forestry Project was to explore the potential for an umbrella group which would provide assistance to local groups as well as foster collaboration. These potential areas for collaboration are described below.

6. Lessons from the Pilot Projects - Support requirements for woodland social enterprises

A woodland social enterprise can be thought of in “system” terms, i.e. as “a set of things working together as parts of a mechanism or an interconnecting network; a complex whole” (Oxford On-line Dictionary).

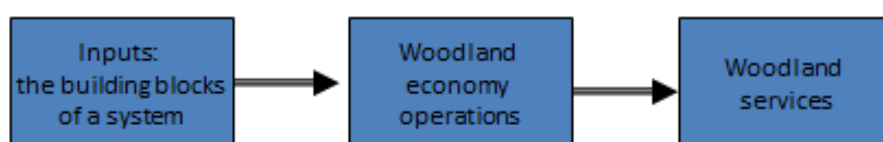


The diagram above, illustrating this “woodland system”, is drawn from the Independent Forestry Panel’s Final Report.

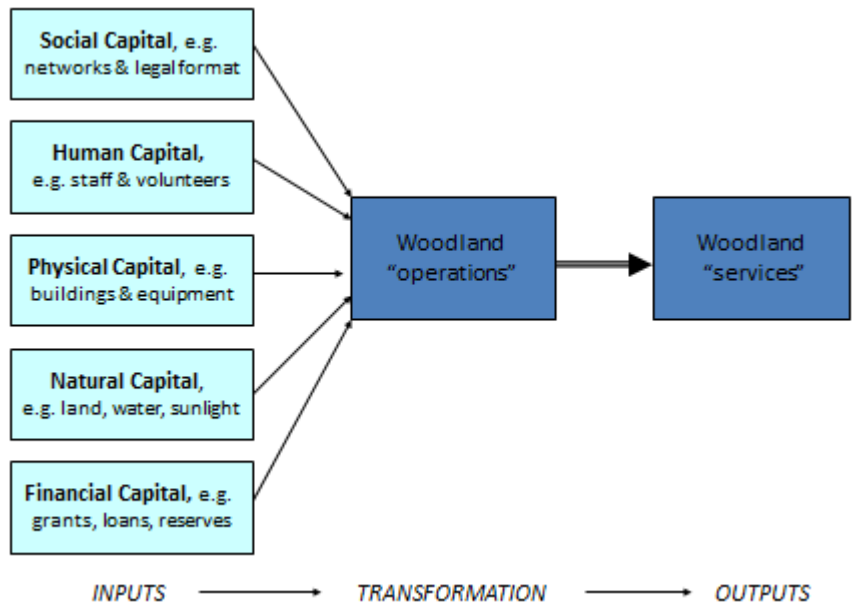
“Systems thinking” examines the linkages and interactions between the elements within a system. Systems theory views the world as a complex system of interconnected parts. Moreover, according to Meadows (2008: p.11), “a system isn’t just any old collection of things. A system is an interconnected set of elements that is coherently organised in a way that achieves something. If you look at that definition closely for a minute, you can see that a system must consist of three kinds of things: *“elements, interconnections, and a function or purpose.”*”

According to Meadows (2008: p17), “the least obvious part of the system, its function or purpose, is often the most crucial determinant of the system’s behaviour.” A woodland social enterprise can be thought of as a system, as can a local woodland economy. As Meadows (2008: p12) explains “Systems can be embedded in systems, which are embedded in yet other systems.”

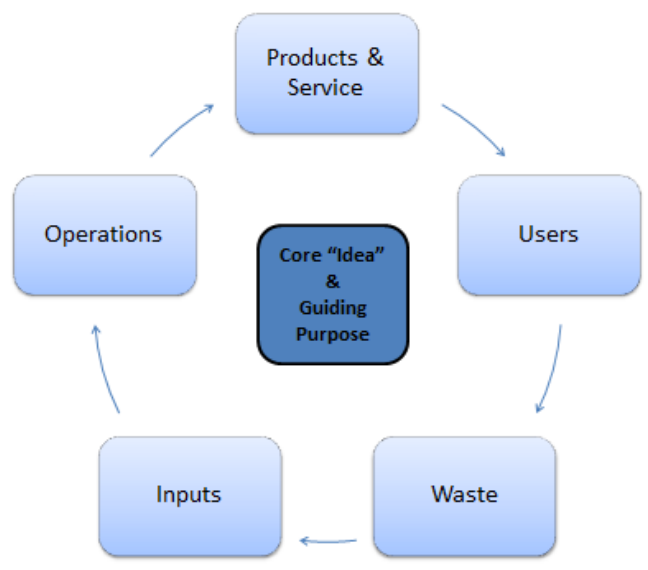
A system takes inputs, processes those inputs and produces a set of “services”:



The inputs can be divided into “5 capitals”, and this can help in considering how best to support the development of woodland social enterprises.

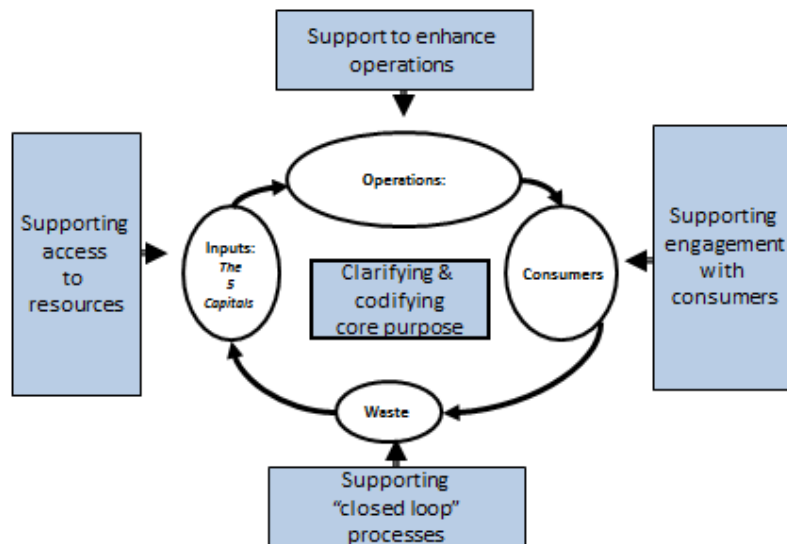


Before doing so, it is important to re-iterate that at the centre of any system there must be a guiding purpose or “core idea”, and that systems are best thought of as circular rather than linear systems. This is particularly important in the context of woodland management, where woods should be seen as sustainable, renewable resources that should be invested in, not merely exploited for financial gain.



From this analysis, it follows that there are 5 key areas of support, and this has guided the support offered to the 8 pilot projects:

1. clarification of core purpose and selection of suitable legal structure to underpin the goals of the enterprise,
2. guidance on the key product or service, and how this will be marketed to consumers as an “ethical proposition”,
3. understanding of the 5 key inputs (or “capitals”) to the enterprise
 - a. Natural capital, such as land, water, power, etc.,
 - b. Human capital, including staff, volunteers and non-executive directors,
 - c. Social capital, including peer-support networks, membership, etc.,
 - d. Physical capital, including buildings, machinery and ICT and
 - e. Financial capital, including grants, loans and equity.
4. specification of key operations, and how these can be undertaken in an ethical manner and
5. exploration of how to make the enterprise more sustainable, for example through an assessment of options for recycling and renewable energy generation.



1. Clarification of core purpose and selection of suitable legal structure to underpin the goals of the enterprise

For profit enterprises are structured around the owners of capital – those who own the underlying assets or who inject investment into the business. The structure in this case will either be a private limited company or a public limited company. The key stakeholder is the investor, whose over-riding interest will be to maximise dividend income, capital value or both. While the limitations of such an approach are clear, it has the benefit of providing clarity and incentivising both investors and managers.

In the woodland social enterprise sector, the type of organisational structure employed is different. There are some instances where companies limited by shares are used – for example where a charity sets up a trading subsidiary to generate profits from trading. In the case of Industrial and Provident Societies (IPS), the members are shareholders (i.e. investors), but they may also be consumers,

workers or representing “community benefit”. Many woodland-related co-operatives are set up as “bone fide co-op” IPSs, while there is a growing interest in the use of IPSs for community benefit (which have a statutory asset lock and cannot distribute profit, only interest on shares) for enterprises such as community owned woodlands and community supported forestry.

In many cases the structure used is the company limited by guarantee, sometimes with the additional “wrapper” of charitable status or community interest company (CIC) status. One of the key problems with the company limited by guarantee format is that it does not allow equity to be brought into the business, so that it is limited to grants, loans and retained surpluses. This will be addressed in the section on financial capital below. The NAAONB Social Forestry Project has sought to provide information about the range of structures available to woodland social enterprises, including the way in which organisational form can engage a range of stakeholders (including volunteers and staff) and also underpin access to other “capitals” such as land or finance. It is essential that such specialist support be available into the future, e.g. through Co-operatives UK, Wessex Community Assets and the Plunkett Foundation.

2. Guidance on the key product or service, and how this will be marketed to consumers as an “ethical proposition”.

As has been seen above, there are a wide range of products or services which can draw on woodland resources. In terms of the pilot projects, the main products and services are identified in the table below.

Pilot project	Initial product / service areas
Arnside & Silverdale	<ul style="list-style-type: none"> - Wood fuel from “Logbank” - Coppice products from processing hub
Dorset	<ul style="list-style-type: none"> - Wood fuel from self-supply co-op - Woodland management, including training for volunteers and forest school educational services
East Devon	<ul style="list-style-type: none"> - Wood fuel from self-supply co-op
Kent Downs	<ul style="list-style-type: none"> - Vocational training
Neroche	<ul style="list-style-type: none"> - Woodland management, including training for volunteers and forest school educational services - Vocational training
North Pennines	<ul style="list-style-type: none"> - Renewable energy schemes, with surpluses funding social forestry activity
Surrey Hills	<ul style="list-style-type: none"> - Facilitating woodland management by brokering management arrangements between landowners and woodland contractors

Tamar Valley	<ul style="list-style-type: none"> - Wood fuel from self-supply co-ops - Renewable energy schemes, with surpluses funding social forestry activity
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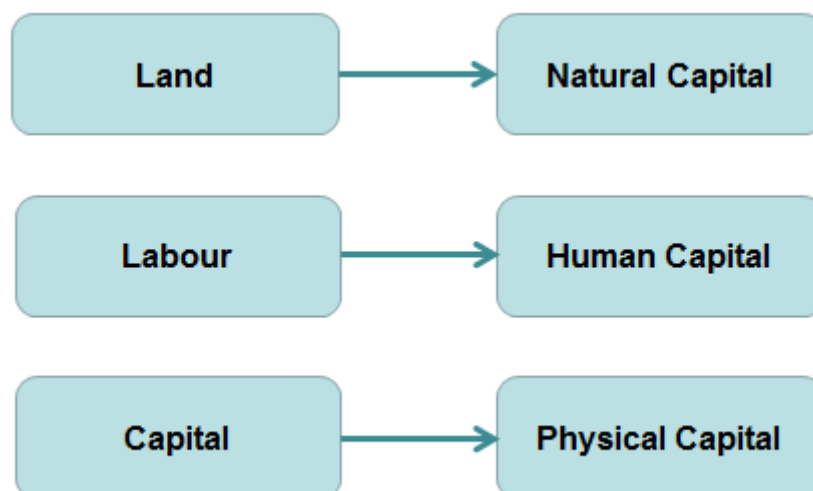
One area being explored is the value of “kitemarks” – Tamar Valley have been learning from the experience of French schemes through the Cordiale programme, while Arnside and Silverdale have explored the feasibility of supporting local producers to use the HETAS scheme.

Other areas that could be worth exploring are the insights emerging from behavioural psychology. These have been used to inform the marketing of local food, and this could be applied to the social enterprise woodland sector, given the focus on provenance, sustainability and transparency in the woodland supply chain. See <http://www.makinglocalfoodwork.co.uk/reports.cfm>

3. Specification of key operations, and how these can be undertaken in an ethical manner

As we have seen, operations in the woodland economy comprise production, processing and distribution/retail. Clearly, there will be a need for support and advice to woodland social enterprises, plus grant finance in certain situations, if these are to meet their potential. One area where grant finance might be directed is accessing the key inputs required by the social enterprise.

4. Understanding of the 5 key inputs (or “capitals”) to the enterprise



Traditionally, economics has suggested that there are 3 key inputs into any enterprise: land, labour and capital. In recent years, 5 capitals have been proposed. Land, labour and capital have been translated into the inputs shown in the diagram below.

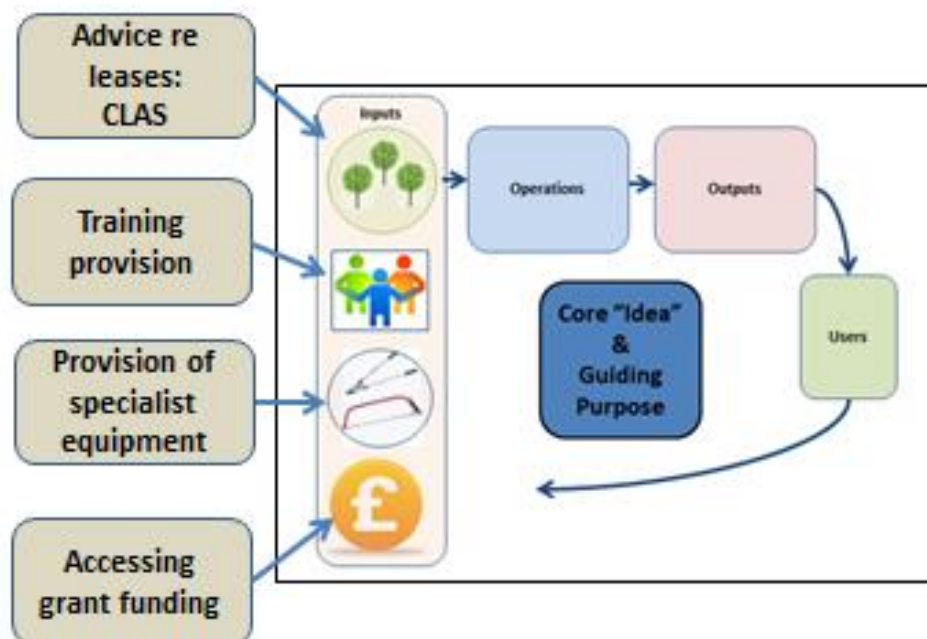
In addition, two further capitals can be identified:

- Social capital including peer-support networks, membership, legal structure, etc. and
- Financial capital including grants, loans and equity.

A key area explored by the NAAONB project has been access to financial capital. Financial institutions convert savings into shares and loans, and in the process have created a preponderance of high-tech, large-scale businesses where the return to shareholders is paramount.

There is increasing understanding that a sole focus on the maximisation of share-holder value can undermine natural capital, exploit human capital, affect social capital and replace human scale technology with industrial scale manufactured capital. This is an opportunity for woodland social enterprises, which have the opportunity to mobilise local investment and social investment. This can be secured at below market rates, in return for offering a “blended return” of financial, social and environmental outcomes. However, it needs to be recognised that meeting the bottom lines of other stakeholders (like workers, consumers and community members) also raises challenges. Improving labour and environmental performance adds additional costs and requires a sophisticated approach to potential providers of financial capital.

However, financing is probably the key area where many woodland social enterprises may need to develop their understanding, including access to equity, quasi-equity and loans. The literature points to the persistence of cultural barriers that seem to hinder the development of an entrepreneurial approach within the community sector. For example, despite the improvements made in the supply of lenders, social enterprises (particularly in the voluntary and community sector) tend to avoid loan finance (Cooperatives et al., 2008: 6). This increases their dependence on the public sector and on grant funding (Cox and Schumecker, 2010: 46), which is becoming less and less easy to obtain.



The diagram above shows the areas of support which social enterprises could receive, with respect to the key inputs required by such enterprises.

Many of the AONB pilot projects have benefited from support from Wessex Community Assets regarding legal structures and finance. In addition, the Community Land Advisory Service was able to advise on negotiating heads of terms and choosing appropriate forms of tenure (lease, licence, etc.)

5. Exploration of how to make the enterprise more sustainable, for example through an assessment of options for recycling and renewable energy generation

This is not an area that has been fully explored within the programme, but the overall aim is to increase the number of woodlands that are sustainably managed.

One area which the West Dorset project plans to explore is the use of renewable energy for the drying of wood fuel. This could include the use of anaerobic digesters, which would produce biogas which could then be used to create heat for drying wood.

7. Conclusions

Social enterprises offer a number of opportunities for sustainable land management. These are

- applying learning from local food systems to woodland management,
- drawing on the wider community, not just as consumers,
- supporting a growing area for citizen engagement,
- a focus for bringing together multi-stakeholder partnerships (public, private, citizen),
- a focus for tying together educational work and land management work in a more coherent way and
- Tamar Valley AONB Partnership, through its work on sustainable yields helps address concerns about de-forestation.

AONB partnerships should be thinking more seriously about supporting social enterprises to deliver AONB objectives because

- it is a way of creating new ways of tackling issues alongside more traditional large funded programmes,
- it ties in with new thinking about the “commons” e.g. the recent Nobel economics prize winner Eleanor Ostrom’s work on common property regimes,
- they can work with existing trustees of land e.g. The National Trust, The Woodland Trust, The Wildlife Trusts etc. can create a win-win situation, whereby the land trustee benefits from woodland conservation work and the community, working through a social enterprise, receives education, amenity and wood fuel services but/and
- there is of course a need for on-going discussions with these organisations to explore this area, on the basis of existing NAAONB Accords with The Woodland Trust and The Wildlife Trusts.

The ways social enterprises can unlock much needed biodiversity and economic activity in their AONB/ AONB woodlands are

- by galvanising interest and initiative from local people and
- supplementing traditional woodland conservation work by adding in the community dimension. Initiatives such as those in Arnside & Silverdale show that communities can sometimes be a better place to start organising initiatives, rather than waiting for self-employed contractors and landowners. This was the same with local food e.g. Farmers’ Markets organised by communities not by farmers. Citizens worry less about the possibilities of competition and do not see such initiatives as zero sum games.

Social enterprises can be a conduit for raising non- exchequer funding to deliver AONB objectives:

- it is important to recognise new potential sources of funding for projects e.g. community share issues and crowd-funding,
- attempts were made in Tamar Valley and North Pennines to set up hydro power companies that could distribute a proportion of profits to AONBs, and these explorations are on-going and
- North Pennines were going to use some Heritage Lottery Fund money as investment into hydro power schemes. Although still at the discussion stage, this principle is still an important one – seeing grant funding as a source of investment which could generate future returns. Such funds could be invested in wood processing platforms, woodland purchase, etc, as a way of creating long term assets with income streams flowing to the social enterprise or the AONB.

The key benefits the 8 pilot projects have received are

- training around management agreements with CLAS,
- training around legal structures,
- exploration of new funding sources,

What benefits have AONB partnerships received?

- The project has entailed AONB partnerships working together on a common theme, rather than being focused just on their particular geographical area.

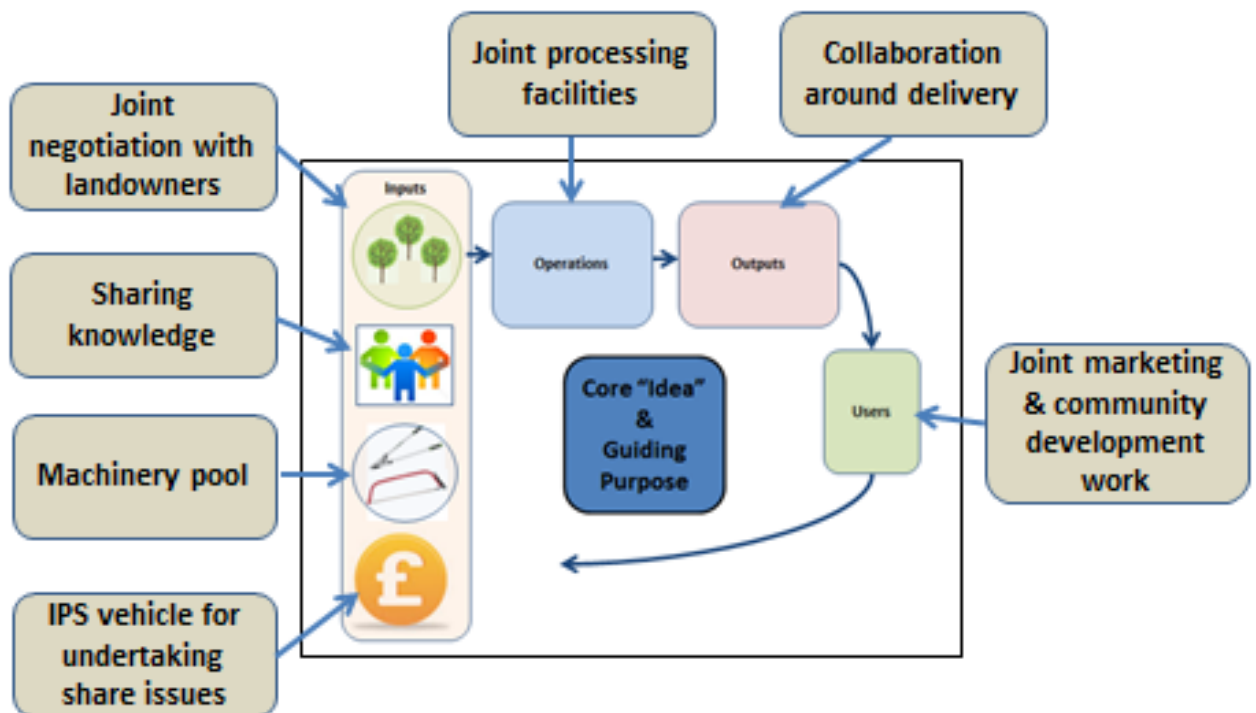
What support should AONB partnerships be considering in their own areas and how they might go about this either individually or collectively as part of an AONB or a woodland enterprise network?

Possible starting points might include

- mapping,
- assessing sustainable yields,
- creating networks, as in Arnside & Silverdale (though woodland forums can be problematic),
- support for setting up logs for labour schemes or wood fuel co-ops and
- feasibility studies for wood fuel platforms.

The NAAONB Social Forestry Pilot Project has demonstrated the value of providing support to AONB partnerships seeking to develop social forestry initiatives.

The project has also demonstrated that there is the potential to support collaboration between woodland social enterprises. The diagram below shows the areas where social enterprises could collaborate, between themselves and with other stakeholders.

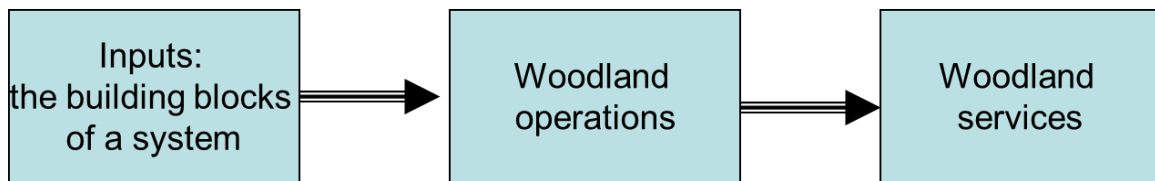


Appendix 1: The Business Planning Process

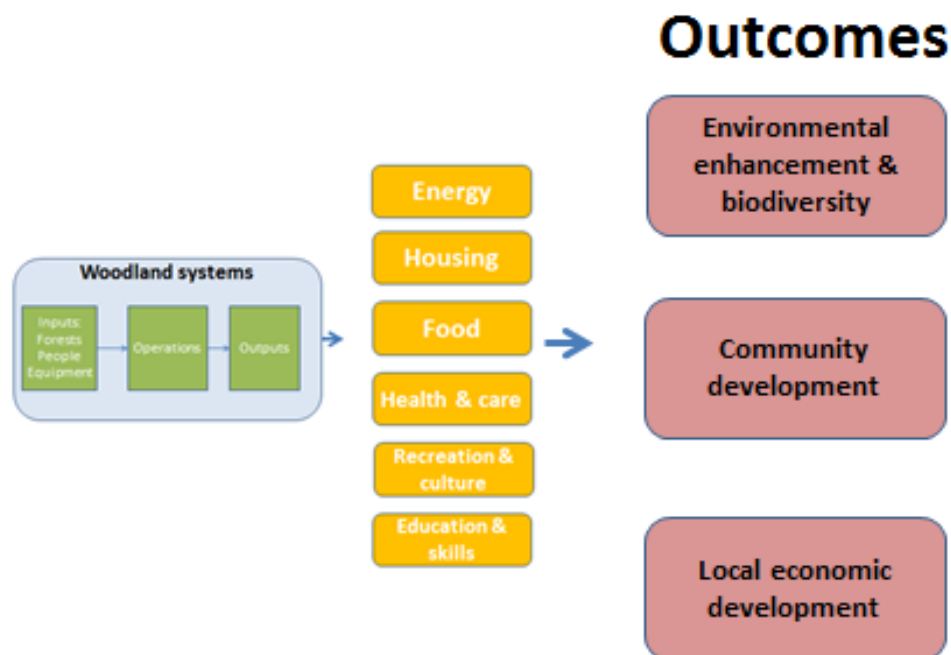
A good starting point for a business planning process is to understand enterprises as systems that transform inputs into a set of outputs. As explained above, a system is a set of things working together, where the whole is greater than the sum of its parts.

“A system is an interconnected set of elements that is coherently organised in a way that achieves something.....a system must consist of three kinds of things: *elements, interconnections, and a function or purpose.*” (Meadows, D. , 2008) *Thinking in Systems. A Primer* London: Earthscan

Woodland enterprise systems transform inputs into goods and services.



The diagram below shows how a woodland enterprise will combine a set of inputs and transform these into goods and services, within a range of sectors such as energy or health and care, and these outputs in turn produce a set of outcomes.



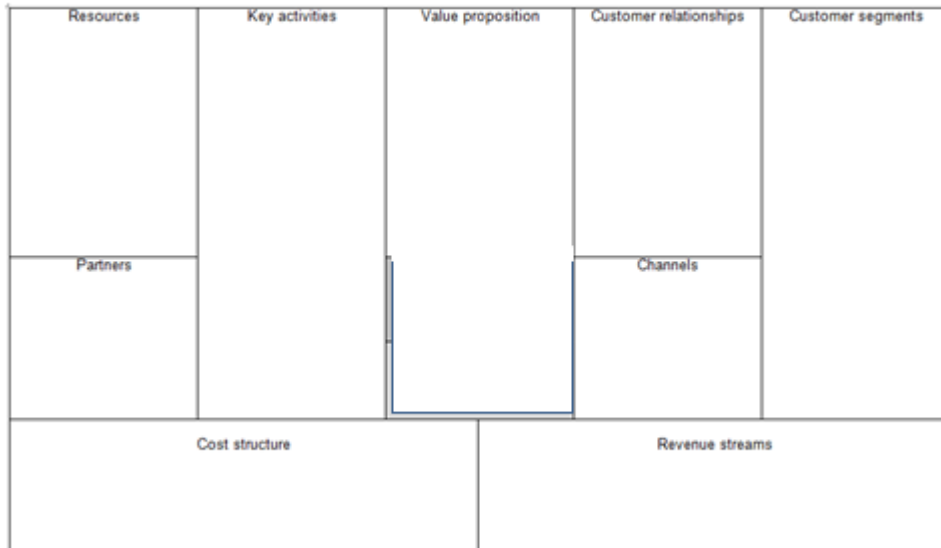
From this starting point it is possible to develop an impact framework (see below) which will give a clear indication of the outputs and outcomes which the enterprise will seek to create.

An impact framework for woodland social enterprise activity

Framework Outcomes	Need/baseline	Activities: (Services & Outputs)	Outcomes for individuals	Outcomes for the wider community
Environmental sustainability	<ul style="list-style-type: none"> Small woodlands are not being managed, and this has a negative impact on biodiversity 	Woodland management Wood fuel production	<ul style="list-style-type: none"> Satisfaction of being engaged in improving the environment 	<ul style="list-style-type: none"> Biodiversity benefits Climate change benefits
Economic development	<ul style="list-style-type: none"> The management of small woodlands is financially not viable Affordable woodfuel is not being made available locally 	Drying wood fuel (solar driers) Training and Apprenticeships Care farming/therapeutic activities	<ul style="list-style-type: none"> Improved career opportunities Creation of jobs Creation of training & apprenticeship opportunities Addressing fuel poverty 	<ul style="list-style-type: none"> New services developed which support viability Improved financial sustainability of community-based organisations involved with the project
Health & Well-being	<ul style="list-style-type: none"> The opportunities that woods afford to potentially improve mental and physical health are not being realized 	Educational activities Recreational activities	<ul style="list-style-type: none"> New therapeutic outcomes for people engaged with cultural activity Well-being outcomes 	<ul style="list-style-type: none"> Assisted to secure new contracts through the commissioning process
Community development	<ul style="list-style-type: none"> People are looking for opportunities to get involved in woodland management and the development of social forestry activities 		<ul style="list-style-type: none"> Engaged with a more diverse range of groups In receipt of funding to allow them to do this 	<ul style="list-style-type: none"> Wider range of people enjoying woodland Less isolation for some groups, by connecting through social forestry activity

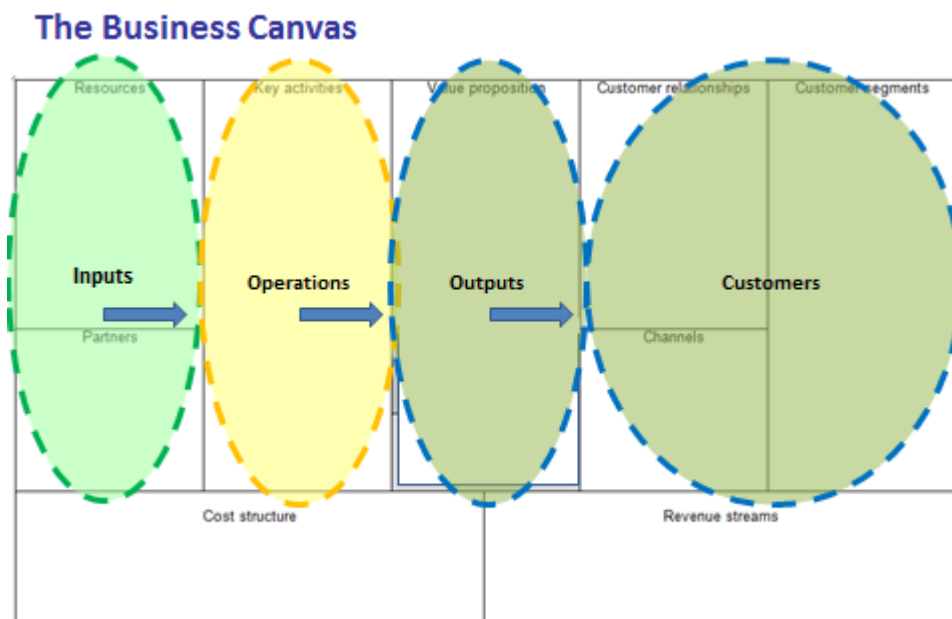
The next stage is to consider the inputs required and the operations necessary to deliver the outputs and outcomes. The Business Canvas framework is a useful starting point for this process.

The Business Canvas



See <http://www.businessmodelgeneration.com/canvas>

The Business Canvas is a simple input- output model, as the following diagram shows.

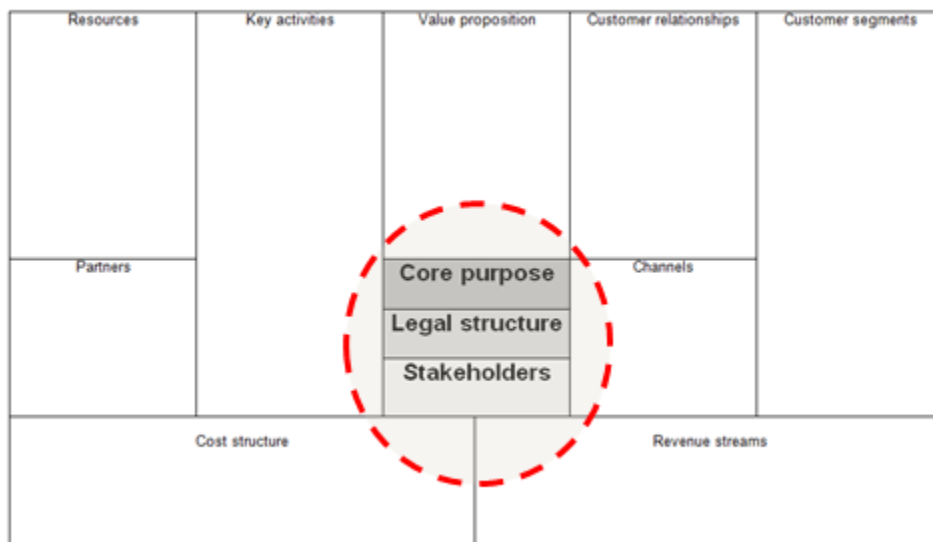


This model was used in Arnside & Silverdale AONB to begin the process of developing a business plan for a community-led wood fuel enterprise. The following diagram was developed as part of a facilitated workshop.

Arnside & Silverdale Logbank

Resources	Activities	Product / Service	Customers
<p>Equipment for extraction</p> <p>Storage facilities</p> <p>Equipment for distribution</p> <p>Finance – CSF model?</p>	<p>Initial focus = extraction of “waste” wood</p> <p>Storage</p> <p>Processing</p> <p>Distribution</p> <p>Volunteer support</p>	<p>Initial focus has been wood waste</p> <p>Question: Scope to buy in from contractors / woodland owners?</p>	<p>What scale of operation?</p> <p>What is the potential customer base?</p> <p>Initial focus on Silverdale?</p> <p>Draw on existing household energy audits or undertake new ones?</p>

Although a useful tool, the Business Canvas is lacking in a number of respects. Firstly, it is designed for mainstream, profit maximising businesses, rather than embracing the triple bottom line perspective of social enterprises. Secondly, it makes the assumption that the key stakeholders are the “entrepreneur” and the investors into the enterprise. This again is not appropriate for social enterprises. The diagram below illustrates how the Business Canvas could be amended to address these concerns.



Appendix 2: Legal structure considerations

The legal structure of a woodland social enterprise should reflect

- the core purpose of the organisation,
- the stakeholders who will be in membership and
- the rights assigned to those stakeholders,

There are a range of possible structures available to woodland social enterprises:

- Company Limited by Guarantee, registered at Companies House,
- Company Limited by Guarantee, also registered with the Community Interest Company Regulator,
- Charitable Incorporated Organisation, registered with the Charity Commission,
- Company Limited by Shares, established as subsidiary of charity,
- Company Limited by Shares, registered with the Community Interest Company Regulator
- Community Benefit Society, registered with the Mutuels Team in the Financial Conduct Authority,
- Community Benefit Society with exempt charity status, registered with FCA and also HMRC,
- Co-operative Society, registered with the Mutuels Team in the Financial Conduct Authority and
- Limited Liability Partnership.

Careful consideration is required be making a selection, as the table below illustrates.

	CHARITY	CIC	IPS COMMUNITY BENEFIT SOCIETY	IPS CO-OPERATIVE SOCIETY	COMPANY – LTD BY SHARE OR BY GUARANTEE	LLP
STAKEHOLDERS						
RIGHTS TO MEMBERS: • VOTING • INCOME • ASSETS						
ABILITY TO RAISE FINANCE: • GRANT • DEBT • EQUITY						
ATTITUDE TO RISK						
ENTREPRENEURIAL DRIVE						

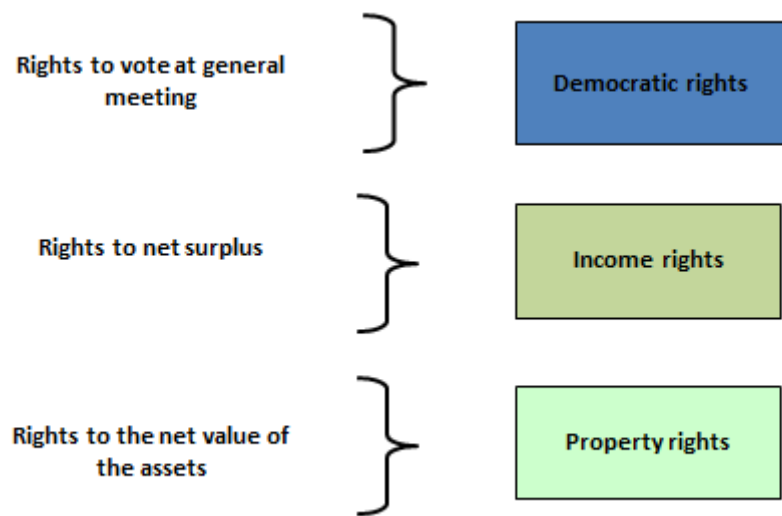
One of the key considerations is to decide on the stakeholders who will have membership, and what rights they will receive.

Potential stakeholder	Membership: Yes or no?	Voting rights?	Income rights?	Property rights?
Consumer				
Worker				
Supplier				
Investor				

Once the membership has been decided, it is important then to decide what rights they will receive. These rights are then reflected in the governing document or rules of the organisation. There are three key rights:

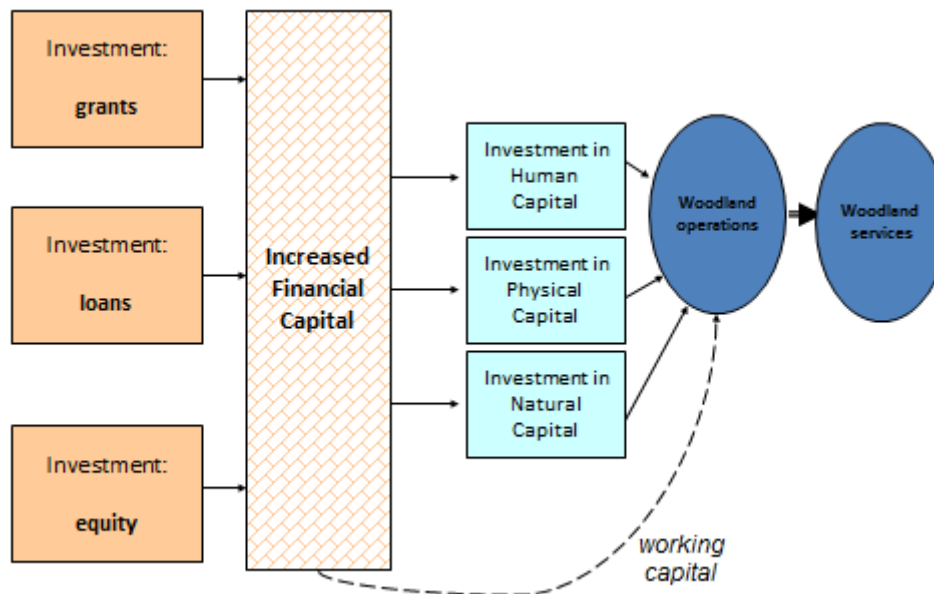
- voting rights – in a share-holder owned company, voting rights are assigned on a one pound, one vote basis. In a social enterprise it is common to have a democratic, one member, one vote structure. However, it may also be appropriate in a multi-stakeholder social enterprise to assign different voting rights to different stakeholders i.e. no voting rights for external investors.
- income rights – this relates to the distribution of surpluses (profit) generated by the enterprise. Many social enterprises re-invest all profits into the business, but some may distribute a dividend e.g. CIC share companies or Co-operative Societies or pay interest on shares (most Community Benefit Societies).
- property rights – in a shareholder owned company, the members own a proportion of the net asset value of the organisation. This is also the case with many Co-operative Societies. However, most other forms of social enterprise have an asset lock, which prevents members from selling the company and sharing the proceeds between them. Individual share-holdings in a CIC share company or a Community Benefit Society can be withdrawn or transferred, but the asset lock prevents “de-mutualisation” (members benefiting from the “common-wealth” that has been created by the organisation).

The diagram below summarises the three rights.



Appendix 3: Finance for woodland social enterprises

The social enterprise sector has in recent years moved from a focus on grants and trading income to also considering the value of loans and equity finance. This reflects a wider shift from seeing money as a grant based subsidy, to money as an investment that attracts more resources, strengthens sustainable practice, and could afford greater freedom.



There are three main forms of finance:

- Grants – these do not require a financial return. However, they do require the recipient organisation to demonstrate the social or environmental return that is being created,
- Loans (or debt finance) - these require interest payments and the repayment of the amount borrowed i.e. it is investment with the expectation of repayment of the principle sum as well as regular interest payments,
- Equity is investment in exchange for a stake in the organisation, in the form of shares. This stake usually entitles shareholders to a share of the profits of the organisation, or interest payments once a certain level of earnings has been achieved.

The diagram overleaf shows where different types of finance might fit within the stages of growth of an organisation. It also demonstrates how these different types of finance are related to risk.

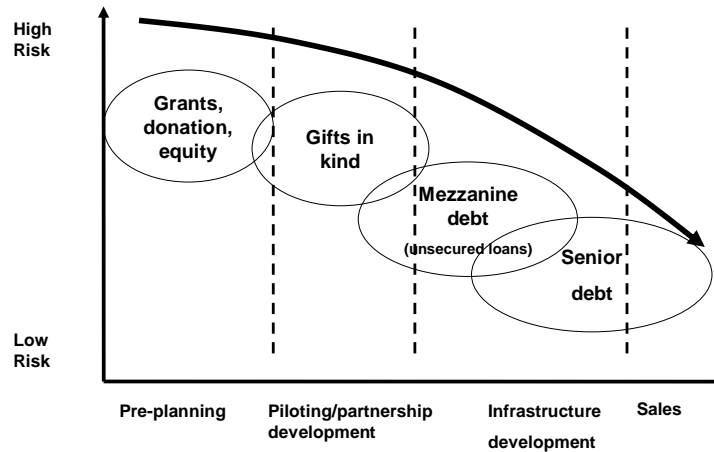


Figure 9: Types of finance (Source: J. Ludlow, Venturesum)

One key issue is that the legal structure adopted by a social enterprise will affect the type of finance which it is able to attract. Generally speaking, registered charities and organisations with charitable objectives and an asset lock will find it easier to attract grants. For the raising of a loan, the legal structure adopted is not so important (though many charities still have objects which do not allow the taking of a loan) – the key issue will be whether they are able to provide sufficient security or satisfy the lender that the risk of default is small.

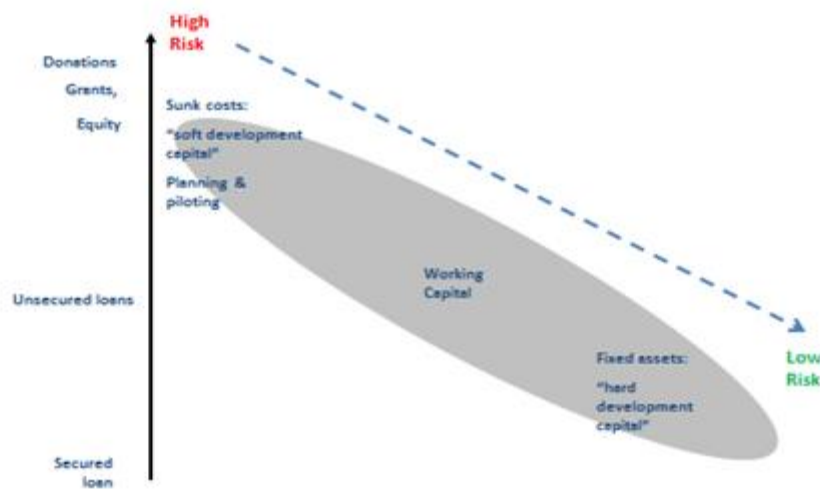


Figure 10: The relationship between risk and different forms of finance

The key area where charities and many social enterprises (if registered as companies limited by guarantee) are precluded is that of equity finance. Loans (or debt finance) require interest payments and the repayment of the amount borrowed i.e. it is investment with the expectation of repayment and regular interest payments. Equity, on the other hand, is investment in exchange for a stake in the organisation, in the form of shares. This stake usually entitles shareholders to a share of the profits of the organisation, or payments once a certain limit of earnings has been achieved.

As explained above, equity finance can be useful in the early stages of growth or when developing a new product or service. Unlike a loan, investors providing equity finance are effectively sharing the

risk with the organisation and are likely to defer any expectation of a financial return for some time. However, if a company undertakes a share issue, the costs of issuing a prospectus are usually very high (at least £50,000) because of the due diligence requirements demanded by the Financial Promotions Regulations. This layer of cost presently exists for all share companies, including Community Interest Companies, seeking investments from the public.

However, Industrial and Provident Societies can be exempt from the Financial Services Authority (FSA) Financial Promotions Regulations. Article 4 of the Financial Services and Markets Act 2000 (Exemption) Order 2001 (see <http://www.opsi.gov.uk/si/si2001/20011201.htm>), entitled "Persons exempt in respect of accepting deposits", states that anyone / anything listed in Part II of the schedule is exempt from general prohibitions in respect of the regulated activity of accepting deposits.

Under Part II of the Schedule, number 24., it includes "an industrial and provident society, in so far as it accepts deposits in the form of 'withdrawable' share capital." Therefore, as long as an Industrial and Provident Society prospectus takes deposits in return for 'withdrawable' share capital, it can avoid most of the regulatory due diligence requirements (and huge related cost) normally associated with a prospectus. The main emphasis remains that a prospectus must be true, fair and not misleading and it must outline the risks to investors.

An Industrial and Provident Society is therefore presently the most cost effective vehicle for raising funds for social / community / environmental projects as it can

- raise money via borrowing / loans,
- raise money via grants from charitable foundations / grant awarding bodies and
- raise money via soliciting social investments in return for 'withdrawable' share capital in a manner that is exempt from the financial promotions regulations under FSMA.

For this reason, many existing community food enterprises, as well as new start initiatives, are considering setting up an IPS either as a stand- alone entity or as a means to raise finance for a related social enterprise. Examples of this include Stroud Community Woodland and Woolhope Woodheat.

Appendix 4: A decision-making framework for adopting an Industrial and Provident Society format

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Issuing shares to raise capital

Regulation

Issuing shares to the public in the UK is a highly regulated activity. An external, objective body (the Prudential Regulation Authority) ensures that money is not being taken from people who did not know, were not told, or did not understand the risks. The legal and regulatory work involved to ensure trust does not break down in share dealing is expensive and a share offer for a new company costs tens or even hundreds of thousands of pounds.

Issuing shares to the public is regulated and expensive

Company shares

The shares reported in the financial press and quoted on stock exchanges are shares in companies. A company limited by shares can be set up by anyone using Companies House. This is cheap and easy to do. Gradually, law has been created that covers how these shares are accounted for, the rights they give owners and the way they are sold.

Shares in companies are tricky to sell and offer 'one share, one vote'

Regulation means that you cannot ask everyone to buy shares in the new company. Only a small number of people or those proven to be very wealthy or who have already invested in a similar way can be approached. Those familiar with 'Dragons' Den' have seen shares in companies offered and bought by wealthy, 'sophisticated' investors. This is not considered a 'public' offer.

One of the characteristics of company shares is that they give the owners a vote. For less than four pounds anyone can buy a share in Tesco, attend a general meeting, and vote. However, as each share is worth one vote and millions have been issued, one vote will make little difference. Those able to buy many shares decide what a share company does.

A mutual society can trade like a company

Mutual Societies

A mutual society is not registered at Companies House in the way a company is. Companies House will include it in their list of organisations but it does not hold any information on it. A mutual society operates in a similar way to a company. It can trade, hire people, deal with contracts and has an elected board that manages its affairs. It is registered with the Mutual Societies arm of the Financial Conduct Authority.

Although a mutual society is not a company, some company law applies. This includes the behaviour of its management and the liabilities of those involved.

Mutual society shares

Mutual societies have a long history and there are different types. The ones most people know are building societies which have a specific role and regulations. This document is focussing on two other types (Community Benefit Societies and Co-operative Societies) which are explained later. You join one of these societies by buying shares in it. Unlike company shares, these shares do not increase your voting rights as you purchase more. The history of mutual societies means that a member's 'voice' does not depend on wealth. Mutual societies run on the 'one member- one vote' principle. They are democratic.

A mutual society can issue shares which offer one member, one vote

'Withdrawable' shares

To allow members to join and have a say in the running of the society, a type of share is available for these societies to issue a 'withdrawable' share. This is useful because 'withdrawable' shares have some exemptions from the legislation around the public offer of shares that apply to companies. They are also different in nature from shares that people are familiar with such as British Gas or Tesco shares.

- Shares are bought at a stated price only from the society, their face or 'par' value,
- They cannot be traded. They cannot be sold to a third party. They can only be redeemed by the society that issued them,
- The society can only pay back (at most) the par value for the 'withdrawable' shares. They cannot be worth more than the price paid for them as they do not entitle the holder to a proportion of any gain in value of the assets of the society. If things have not gone well then they may be worth less than was paid for them to account for the reduction in asset value on the balance sheet.

'Withdrawable shares' behave a little like debt but the investors' money is at risk just as with a 'normal' share

The risk that shares could be reduced in value (to zero) makes them similar to the shares traded in stock markets but the way only the society can buy them back, and never for more than they were bought, makes 'withdrawable' shares more like a loan- debt finance.

The society's accounts show 'withdrawable' shares as an asset but interest is paid to members on their investment and this is treated as an expense (cost of trading) as interest on a loan (liability) would be.

There is a limit on how much an individual can invest in a mutual society in 'withdrawable' share capital and that is £20,000.

Exemptions

There are exemptions from financial promotions legislation (telling people you are selling shares) and financial activities legislation (actually selling them) for 'withdrawable' shares because of their special purpose and the limit on investment. This allows mutual societies to issue share capital to the public at much lower cost than a company could.

There are still limits on what can be done to sell 'withdrawable' shares to the public:

- no 'real time communications' means that any offer must be made in a traceable way. Giving informed investment advice requires training and an understanding of the client's attitudes to risk. It is a regulated activity. Stopping people and telling them about an excellent project they might want to consider investing in is illegal. People should be given complete, accurate information in writing and allowed to decide for themselves. They might seek professional advice. A chain of emails is allowable, as is a broadcast announcement. A telephone conversation is not and
- a company's public share offer would require a prospectus which would be subject to scrutiny by the regulator. For 'withdrawable' shares, a society can use an 'offer document'. This can be (and some are) very brief but there are implications. Miss-sold financial products usually allow the purchaser access to an ombudsman scheme and a government held compensation scheme (paid for by those making money in financial services). This avenue for complaint and potential compensation is not available to investors in mutual societies that do not issue a prospectus. Those issuing the shares, the management of the mutual society, are personally liable for any miss-selling. This may not be due to incorrect information (deliberate or not), it could be due to omission - lack of due diligence.

'Withdrawable' shares can be issued to the public. There are limits on how and an increased risk to all concerned. They make share issues more affordable.

Prospective member/investors need to be warned of this and the risk of losing their money.

Choosing the correct form of mutual society

The Financial Conduct Authority

As the registrar of mutual societies, the FCA asks the applicant to decide which of two versions of accepted mutual society it wishes to be, a

- Co-operative Society, or a
- Community Benefit Society.

The FCA is tasked with ensuring societies behave in a manner that accords with their chosen form, and so it is very important that the differences between a co-op and a 'bencom' are understood before deciding how to register.

There is no legal definition of either type of society. Co-operatives must follow the internationally-accepted 7 co-operative principles. 'Bencoms' need to not be co-ops and also demonstrate that they are not just trading companies. They need to show that they really are for the benefit of the community they name, not just their members.

Co-operatives

These should be set up primarily for the benefit of members. As with any organisation, it should also benefit those around it, but their purpose is to enable members to create and own an organisation that cannot be run for the benefit of just a few, as is the case with a typical company setup.

A well-functioning co-op can raise capital by issuing 'withdrawable' shares to members and can then pay them interest. This rewards members for allowing their money to be used. A co-op can also issue 'dividends' on shares. The co-op can create its own, agreed method of calculating this but it is based on 'transactional activity'.

- co-op members own the co-op and that includes any cash surplus it makes during the year. That surplus should be (at least in part) created by the members' dealings with the co-op (buying shopping, for example),
- at the end of the year, the board may decide that some of the surplus should be used to reward members who shopped there (encouraging them to continue)and
- typically, the size of the dividend will be based on how much was spent at the co-op, how many shares the member has invested and it could also be affected by the length of time of membership.

As the co-op is not reliant on money from people who are purely interested in a financial return (as is the case with Tesco shareholders, for example), financing the co-op costs less and the way it is financed encourages trading and reduces risk further.

There are issues with co-ops that the ownership creates which need considering.

It has always been a problem that a successful co-op will be worth more than members initially invested. This can lead to members 'cashing-in' their shares by voting to sell their co-op and divide

up the proceeds. Those with no interest in the purpose of the co-op, only its value, can also try to control it and buy it from a membership not engaged enough to see the problem.

If the co-op was originally set up as an agreement to pool resources amongst a few people (agricultural co-ops can be set up to share the high cost of rarely used machinery) then this may not be a problem. If the founders' intention was to ensure a supply of affordable, safe food in a community then the sale of the co-op is a loss to future beneficiaries of its existence. There is also the moral issue of one set of members benefitting personally from the efforts of many other members who chose to help create something for the greater good.

Community Benefit Societies

Members of a 'bencom' have a different relationship to their organisation. Finance can be raised using 'withdrawable' shares and this gives each member one vote regardless of the amount invested/number of shares held.

Ownership of the shares does not give ownership of the 'bencom', though. Their money is being used to provide a benefit for all in a chosen community which they may, or may not, be part of.

In return for allowing their money to be used, members receive a rate of interest which is enough to keep them happy, but must not be calculated as a proportion of any cash reserves generated by the 'bencom'. Those reserves belong to the 'bencom', not its members, and must be used to further the activities of the 'bencom' – benefitting its community, not just its members.

In recognition of the purpose of 'bencoms', there is an asset lock that can be applied to the 'bencom'. An asset lock is wording that members sign up to in the governing documents that prevents the sale of the assets for the sole benefit of members. This does not prevent the sale of assets for the benefit of its community and it does not prevent the loss of assets if trading is poor. It just prevents the members accessing them.

The statutory asset lock wording cannot be altered or removed from the governing document, the 'rules', once included.

Unlike a co-op, the members of a 'bencom' are not required/expected to have any transactional relationship with the organisation they have financed. Members of a 'bencom' also cannot be treated differently from non-members in accessing the service of the 'bencom'.

For example, if a 'bencom' is created to run a swimming pool and members raise money in 'withdrawable' shares to enable essential repairs that need to be made before the pool can be used to be carried out, members cannot then be allowed discounted access to the pool. Everyone must pay the same. There could be 'frequent user' discounts, but they would be available to all.

Members could receive free entry to the pool as part of their return on invested money but it would be a fixed amount, decided on by the board of the 'bencom'. If a 3% return were considered sufficient, some could be payable to the members in cash and some in free entry. Those with the most shares would receive the most interest and so the most free entries. In a co-op, the situation might be all members (regardless of investment) received the same discount on any number of entries.

The above affects the business model and so needs considering. Those interacting with the 'bencom' will have a relationship with it nearer that of a 'normal' business rather than something they helped finance.

One or many?

A recurring theme in advice given by Wessex community Assets in relation to community-owned renewable energy schemes is whether each new project needs a new organisation.

Helpfully, the answer is, 'That depends.'

Here are a few of the arguments to consider.

Board's fiduciary duty

The management committee or board of any organisation is required by law to act in the best interests of that organisation when carrying out the management role. Any decisions made need to be demonstrably helping the organisation the board is serving and not affected by any personal interests the board have or to help another organisation.

Company Law ensures that the owners of a company, not the board members, are beneficiaries of decisions taken.

For the purposes of this document, the problem is often that there are only a few members of a community prepared to run an organisation and so, as the numbers of organisations increase, a few individuals control more than one. In the event of one organisation failing, its board members might be tempted to avoid this by using the other organisations they also control. An example might be where, to achieve a discount, two organisations bulk purchase something together and then one cannot pay. To avoid problems with the supplier, one of the organisations would be forced to lend money to the other which would not be a suitable use of money.

In the case above, this would be (hopefully) just a cash flow problem if it had been two projects in one organisation rather than two, legally separate, organisations.

Marketing

The share offer document should be enticing as well as factual to ensure that money is raised. However, there are strong opinions on the suitability of different types of renewable energy technologies.

An initial share offer might have been used to raise money to install photovoltaics (PV). This is acceptable to most people. The board might then consider that a wind turbine would be a more productive second project but some members might disagree. The members might feel strongly enough that they replace the board.

In this case, it might only be possible to progress with the project by setting up another organisation not controlled by the same members.

Risk

This is a similar argument to the marketing issue but is about numbers not aesthetics. In the case above, PV is now low risk as there are many installers, it is proven as a technology and planning permission is not complex. Turbines require upfront costs to ensure viability, planning can be problematical and there are even issues of currency value fluctuations due to the time it takes to complete a project and the nature of turbine production.

All of this might make some members worry that their income from the now-installed PV with Government-backed Feed-in Tariff payments will be put at risk.

It would be possible to separate out finances and interest payments in the accounts, but the organisation's whole existence might be risked if large contracts with foreign companies went awry.

Tax efficiency

If the purpose of a renewables installation is to generate revenue for local good works and Corporation Tax is being paid on reserves, or business rates are required for a building which is used mainly for the promotion of energy conservation advice, then it may be worthwhile to consider setting up a charity to receive money from the organisation creating the revenue.

This needs to be considered carefully as a charity creates strict limits on what can be done with resources. The Charity Commission has a list of objects it will approve for a charitable organisation but it is decided on a case-by-case basis. A rule of thumb is that trading purely for income (even if this is then used for good causes) is a problem.

It also needs to be remembered that the charity will not be controlled by the members of the organisation which finances it – it cannot be told by them what to do with the money they made available for it. The charity needs to be aligned with its donor organisation, though, in order to retain its income.

A typical issue would be cautious trustees of the charity wanting large reserves in the bank and the members of the other organisation wanting the trustees to spend more of it on good works and thus increasing the risk of the charity failing.

Tax incentives - Enterprise Investment Schemes

There are two schemes which are commonly used when issuing shares for renewable energy projects.

Enterprise Investment Scheme Tax Relief and Seed Enterprise Investment Scheme Tax Relief, EIS and SEIS.

It is not the purpose of this document to give tax advice, and WCA would strongly discourage any community renewables group to give tax advice, but these schemes are important and need to be understood. The HMRC information is very good and anyone interested should be directed to it.

The scheme does not give people money. It offers the possibility of their tax bill being reduced. This means it is an arrangement between the investor and HMRC and they need to understand this and seek suitable advice.

<http://www.hmrc.gov.uk/eis/guidance.pdf>

Both schemes have criteria about what is, and is not, allowable as an investment for it to qualify. These criteria are very similar. Here are a few points:

- PV Feed-in Tariff schemes are ineligible unless they are community-owned,
- EIS offers a reduction in an income tax bill of 30% of the sum invested,
- SEIS offers a reduction of 50% of the sum invested,
- the maximum allowable to be raised by SEIS is £150,000,
- the shares must be 'at full risk', not protected from financial problems,
- the money must remain invested for at least 3 years from the start of trading (not from date of investment),
- the shares must be 'paid up' - you cannot receive a tax break on something you owe money for. HMRC asks that you do not invest in, and then borrow the money back from, the same organisation and
- investments around property, food production and land are unlikely to be eligible. There is a comprehensive list in the guidance.

Someone investing the maximum of £20,000 (the limit on 'withdrawable' shares, not EIS shares) may then get £7k or £10k deducted from their income tax bill (if HMRC allows). There are also capital gains benefits to EIS schemes.

For a scheme that may take time to make a return, this is very useful as there is a gain to the investor within the first 2 years or so (taking into account the time it takes for the paperwork to be dealt with by HMRC).

EIS schemes

- allow the society to hold off paying interest to members while it builds reserves,
- reduce the risk to the investor as the tax break does not depend on successful investment,
- increase the lifetime return to the investor of the investment and
- can be used to refinance debt.

The process for the share issuer is

- show HMRC the business plan, your governing documents, and all the investors' information. This reassures HMRC that this is not just a plan to reduce tax bills but is a genuine enterprise which could fail. It is not a loan scheme with guaranteed repayments, for example,
- if HMRC are happy with the information, and agree the activities qualify, they issue an Advanced Assurance notice which gives reassurance to investor/members,
- shares are then sold, names and addresses, ID checks etc all dealt with. Investor details, and amounts invested, are sent to HMRC and
- HMRC then know that the individual will be eligible to claim a reduction in their income tax bill.

Where it can go wrong

It is important that the board of directors issuing shares for their society follows the requirements for EIS. If there is a problem, the investor will be asked to return at least some, or even all, of their refund. Some of the problems are

- ALL activities of the organisation issuing EIS shares must be qualifying activities. There is a de minimis rule and controlled subsidiaries complicate the story, but the society should not expect to be able to also be involved with non-EIS activities using different share capital, for example,
- holding, managing or occupying woodlands, any other forestry activities or timber production are not EIS-qualifying,
- the invested money must be spent within a set period of time once trading has commenced (if there is any left over),
- if share capital is not held for at least three years after trading commences, a proportion of the tax refund is due back to HMRC. If an investor insists on removing their investment earlier, that is up to them and HMRC. If the society fails within 3 years, the tax refund should be unaffected,
- there are restrictions on the activities of wholly-owned subsidiaries and investing in other organisations,
- if the share offer document shown to HMRC is not the same as that received by investors and it mentions guarantees of repayment, or something similar, this may be a problem and
- if the investment is spent, the plant installed, but technical problems mean the sale of energy ('commencement of trade') is delayed, then this also delays the possibility of allowing the withdrawal shares without losing EIS for the investor.

As previously stated, this is not a comprehensive guide. This information is just to prompt consideration of the medium-term aims of the organisation and be wary about changes and the effect that may have on existing member/investors. Legislation around tax is constantly updated but HMRC's website is very useful.

Wessex Community Assets has worked with a number of societies issuing EIS shares. They have kept their plans simple and there have been no problems reported. Capital-intensive renewables projects need larger investments than some community initiatives and the people with the money you need, will be aware or will use advisors who are aware of EIS.

In 2009, the interest in community-owned renewables led to Wessex Community Assets working with HMRC to agree how 'withdrawable' shares (as opposed to company shares) fitted in to the scheme.

WCA and HMRC agreed on wording that ensures that the more debt-like aspect of the 'withdrawable' shares societies can issue is dealt with and they are happy to allow Community Benefit Societies using our Enterprise Investment Model Rules to issue EIS shares.

Below is one of the societies registered by Wessex Community Assets.



Oxford North Community Renewables (ONCORE) is an Industrial and Provident Society set up to fund the installation of solar photovoltaic (PV) panels on the roofs of The Cherwell School.

In the summer of 2011 ONCORE successfully raised over £160,000 for this project and in December completed installation of 47 kilowatts-peak (kWp) of solar panels on two buildings on the North Site of the school.

<http://oncore.org.uk/>

Appendix 5: Template for share offer document to raise finance for social forestry organisations

July 2013

Notes

It is not a legal requirement to use an Offer Document and there are no hard and fast rules about what it contains. WCA is aware of a local IPS which was set up by friends for a specific purpose and so no offer document was written.

Its purpose is to explain to potential investor/members what is likely to happen to their money and the risks this involves so that the founder members do not have to engage in 'real-time communications' in order to raise the money.

'Real-time communications' is forbidden for share issues that are not authorised by the financial services regulator. An example would be mentioning the share issue to someone and then having a conversation about it. If this led to them investing but then, later, finding out a piece of information that they did not remember being told, they would not be happy. An exchange of emails is not 'real-time' and is allowed. A broadcast statement is allowed. Phone conversations are not allowed.

The trail of evidence left by non-real-time communications means that both parties can easily agree what information was given and if there were errors or omissions. This obviously becomes increasingly important as more people invest or as raised sums sought increase.

From the position of a personally-liable director of an IPS issuing shares, it makes sense to agree on the information all investors will be given and so create an Offer Document.

As well as the Offer Document offering piece of mind to the directors, it is a marketing tool. It should make an attractive case for any project and also explain the non-financial benefits to those who invest and become voting members. There is a balance to be struck between warning people that their money is not as safe as it would be in a savings account and keeping the content upbeat and engaging.

A 'prospectus' is a document produced with input from those authorised to work in the financial services market. What you are producing has not been checked by an authorised person and so is an Offer Document.

There is no insurance that the board can take out which will protect them in the case of dishonesty or lack of diligence, if proven.

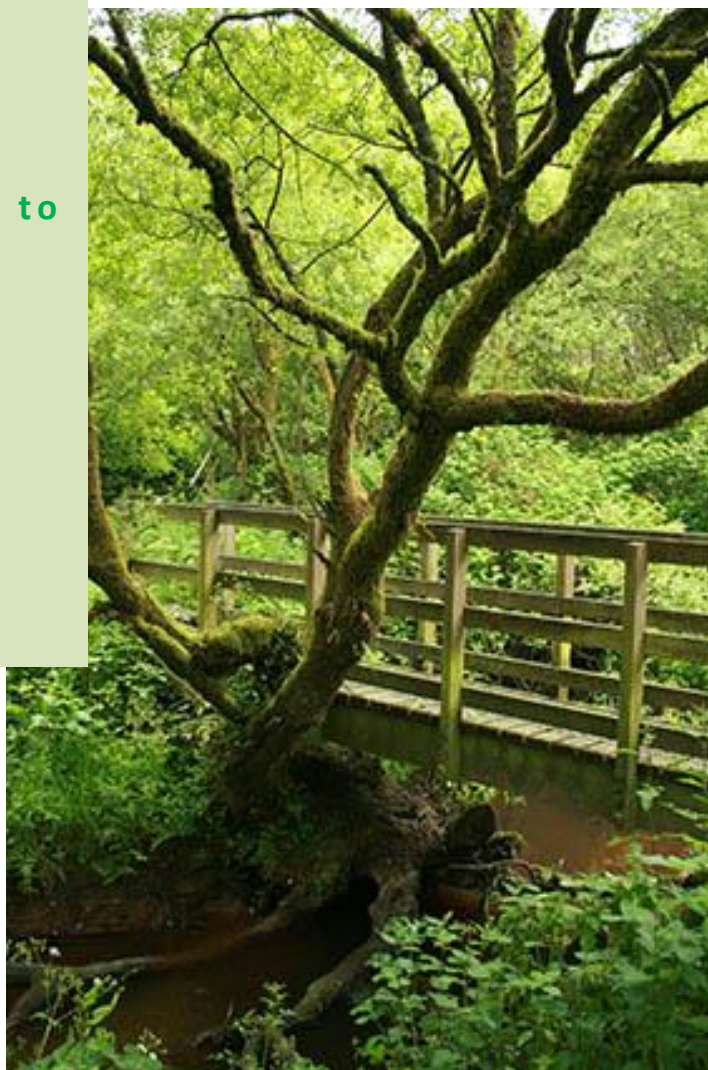
Every statement of fact or opinion should have some objective proof. If you cannot prove that something is true, do not use it. Check each phrase adds something more than just words to the document. Remember your reader is busy and time-starved.

1 What you are aiming to do.

Greenacre Wood could be ours.

Our village has the opportunity to take on this piece of ancient woodland and restore it to a viable asset for our community.

It offers a sustainable source of wood, an area where local wildlife can thrive and space for education and training.



The village could own this wood on a 'not-for-profit' basis – a benefit for the whole of our community and protected from development.

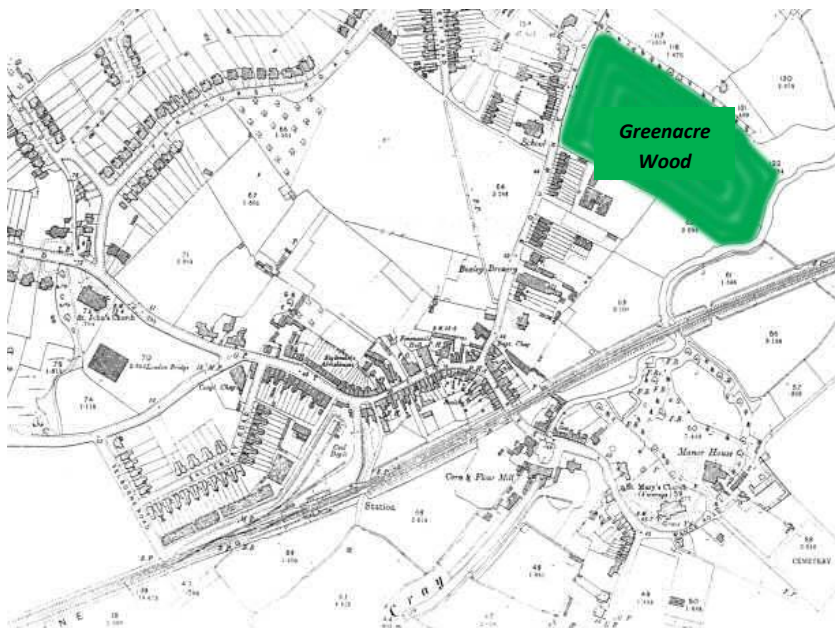
To do this we need to raise £87,000. We are not asking for donations, we are asking for investments.

This document explains how you can invest and how we are going to use the money to manage the trees and create income, ensuring the woods are part of the village, an asset, available to all.

Please read this document carefully and ask us if you need more information.

Tel Greg on 01234 345678 info.SheepsDribble@Gmail.com

2 Why would I invest?



History

Greenacre is a steeply sloping piece of land that has never been ploughed. It is on the left as you drive in to the village.

The age of the woodland means that it should be a home for a diverse number of plants and creatures native to our area but lack of management has gradually allowed it to become choked with brambles and the trees are in poor condition.

Our community would have collected firewood from woods like Greenacre in previous generations but mechanised farming has removed much of this.

We can return this woodland to a productive piece of land with more wildlife. (It will also look tidier.)

What we aim to do

- Create a local source of renewable fuel
- Improve the biodiversity
- Ensure trees are managed to provide useful timber
- Create a community space for educational purposes and fun
- Create a disabled accessible Woodland Walk
- Offer woodland skills courses

Our main aim is to ensure the community always has access to a piece of the ancient woodland that swathed our county. This is the last piece of woodland near the village and we do not want to see it developed or ploughed.

Greenacre will be owned by an Industrial and Provident Society for the benefit of the community – a 'bencom'. This form of organisation allows share capital to be raised cheaply and ensures each member has one equal vote. Owned by members of the community/run by members of the community.

Our 'bencom' will have an asset lock so that Greenacre can never be sold to profit members.

3 The bigger picture

After the government announced it was to sell off the UK's forests, there was a national outcry.

People understand that woodland is good for wildlife and they like seeing woods in a landscape and occasionally walking through it. Until recently, ownership has not been uppermost in people's minds.

The few who do currently own woodland find small areas difficult to manage. Industrialised tree farming in Northern Europe produces cheap, good quality timber using very expensive equipment processing high volumes of wood. However, small woodlands can be managed in a sustainable way by communities.

A managed woodland then offers many opportunities beyond supplying wood.

In Scotland, the Community Woodland Association was set up in 2003. They list these outcomes for a community:

- recreation - providing wide-ranging opportunities for outdoor recreation, from informal paths and "all ability" facilities to mountain bike trails and orienteering courses,
- Biodiversity and Conservation - restoring and expanding native woodlands, and carrying out habitat improvements within other forest types, to conserve and enhance Scotland's biodiversity and contribute to climate change mitigation,
- economic development - increasing the value of forestry to local communities, creating jobs and developing local processing and markets for timber and non-timber forest products,
- renewable energy - developing local supply chains and markets for wood fuel, to help reduce our dependence on fossil fuels and support sustainable forest management and
- social inclusion - involving all sections of the community in planning and decision-making, and ensuring that the benefits of community woodlands are available to all.

Greenacre Wood would be a permanent part of village life and an investment from you can make this happen.

As well as financial investment, we are looking for volunteers with skills in either tree management or accounting.

We have been advised by XXX and a business plan shows that we would be able to offer investors a 3% return after the third year, if all goes to plan.

We are able to accept investments of between £200 and £20k and this offer closes on 3rd September.

If we do not raise the full amount we will return your money in full within 6 weeks.

If you want to see the woodland saved for our village, you must not wait for others to do it for you. We only have this one opportunity.

4 Detail of plan here

Who is managing the woodland?

What are their credentials?

What are the medium-term plans (drying shed, educational hut, cycle tracks, ponds, nesting boxes etc)

Raised	£87,000
Purchase	£73,000
Legals	£7,000
Fencing	£5,500
Entrance repairs	£1,500
Income year 1	£1,500 from rent (clearing produces low-grade firewood)
Income year 2	£3,780 from rent and use of building (paid for with grant)

This part of the document requires the most work. If the land is purchased and the fencing comes in at £12,000 then people will rightly ask, 'Where did the figure of £5,500 come from?' If the board cannot show that they were diligent, there would be good reason for an investor to be unhappy.

It is always tempting to be optimistic about income. Optimism is required but the risks need to be acknowledged. What are the chances of the grant for the building not appearing? What is Plan B?

If the trees are being managed by a company that pays rent and it is unable or reluctant to pay, this puts half of the income at risk. How will the board address this?

If there is sensitive information vital to the business plan, this could be left out but it still needs to exist somewhere to defend the board from claims of negligence.

5 Risks

The founder board members have identified the following risks

Storm damage	as the trees become better managed, this will become less likely (uninsurable?)
Fly tipping	has been a problem in the past and expensive to clean up but new fence will prevent this
Production of wood takes longer than expected to reach maximum output	Spending on tracks and the huts would be delayed. This would also then delay income from those activities related to their use
Etc	

The text below explains that people have to accept that their money is at risk, that they are not protected from this risk, and implies that, if people want to complain, they need to complain to the board.

This is not a savings scheme. Your money will be used carefully, but it is at risk. You cannot sell these shares to anyone else. We can only pay interest on your investment if we make a surplus.

We do not want any money you cannot afford to be without.

This share offer has exemptions from the Financial Services and Markets Act 2000; this means you have no right of complaint to an ombudsman. The money you pay for your shares is not safeguarded by any depositor protection scheme or dispute resolution scheme. The whole of your investment will be at risk (although you will not incur a liability beyond your investment).

The investment can never increase in value, there is no capital gain. You are entitled to one vote at general meetings regardless of the size of your investment.

This should be regarded as using your money for a social purpose with the likelihood of a financial return, rather than a financial investment.

The board plans to be able to allow some invested money to be returned (withdrawn from the society). However, this will depend on accumulating sufficient reserves and so this should be considered a long- term investment.

Please consider this offer carefully and seek suitable advice if you are unsure.

This kind of warning can go on for quite a long time. It is off-putting, though. The wording above covers the main points.

6 Our Team

<p style="text-align: center;">Greg</p> <p style="text-align: center;">Greg has been a keen arboriculturist for 7 years and has grown many trees. He has recently retired from something and has relevant and useful skills.</p>	<p style="text-align: center;">Mary</p> <p style="text-align: center;">Mary has been a keen arboriculturist for 7 years and has grown many trees. He has recently retired from something and has relevant and useful skills.</p>	<p style="text-align: center;">Tony</p> <p style="text-align: center;">Tony has been a keen arboriculturist for 7 years and has grown many trees. He has recently retired from something and has relevant and useful skills.</p>
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Appendix 6: Land Management and Tenure Options

- The NAAONB Social Forestry Pilot Project worked closely with the Community Land Advisory Service <http://www.communitylandadvice.org.uk/> to help the pilots explore issues around land management agreements. In addition, the Cordiale Toolkit contains a detailed workbook which addresses these issues <http://www.cordialeproject.eu/en/toolkit/>

The sample slides below give an indication of the content of the workshops.

Agenda

- Introductions
- Why are leases needed?
- What do landlords want?
- Heads of Terms
- Types of leases
- Select-a-lease exercise
- Management agreements
- Q&A



What landlords want

- Care for their assets
- Paying the rent
- Happy neighbours (public meeting)
- A nice view
- An easy life
- Realistic plans and commitment
- Professionalism
- Someone they get on with
- Farm grant schemes
- Land back again hopefully with planning consent

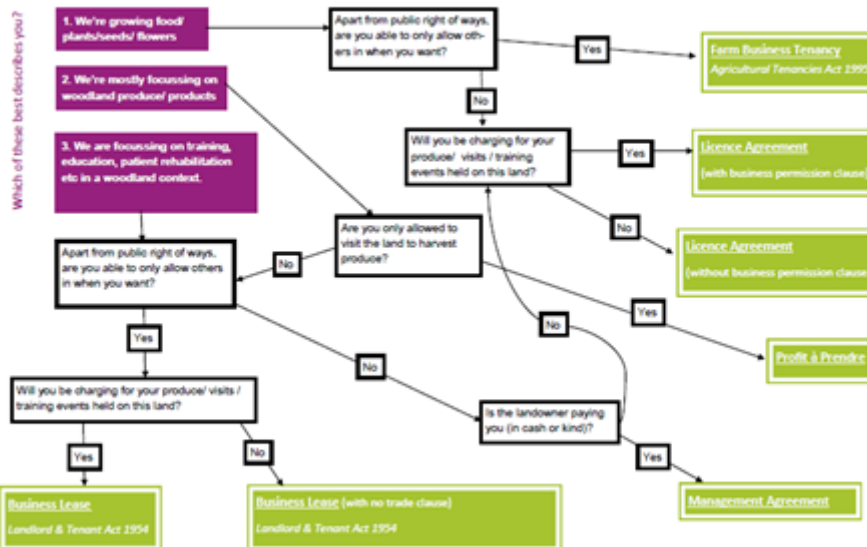


Different kinds of land agreement

- Licence (landlord still uses the site eg garden share)
- FBT (must be agriculture or horticulture, exclusive occupation)
- Business tenancy
- Management Agreement



Which is the right type of land agreement for you?



References

ConFor, (2006). *The economic contribution of the forest industries to the UK economy - A report for Confor and the Forestry Commission*. London: Centre for Economics and Business Research Ltd

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