

# Developing an Eco-social Enterprise

Session 3

Wednesday, 10 April, 2024

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## Financial capital

- Who will provide this?
  - Grants?
  - Loans?
  - Equity?
- What rights do they get?

# 3rd Share Offer Re-opening Covering letter

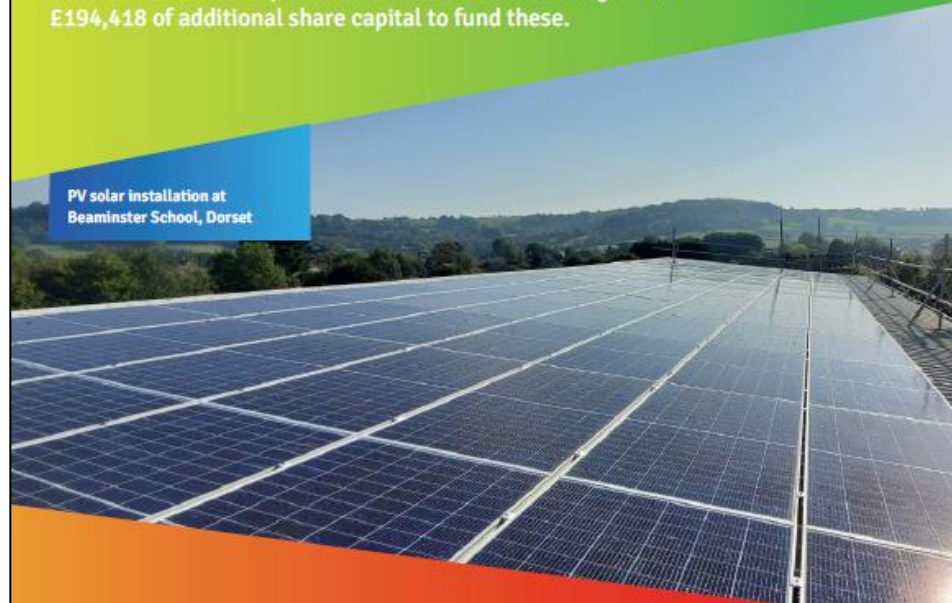


**May 10th 2021**

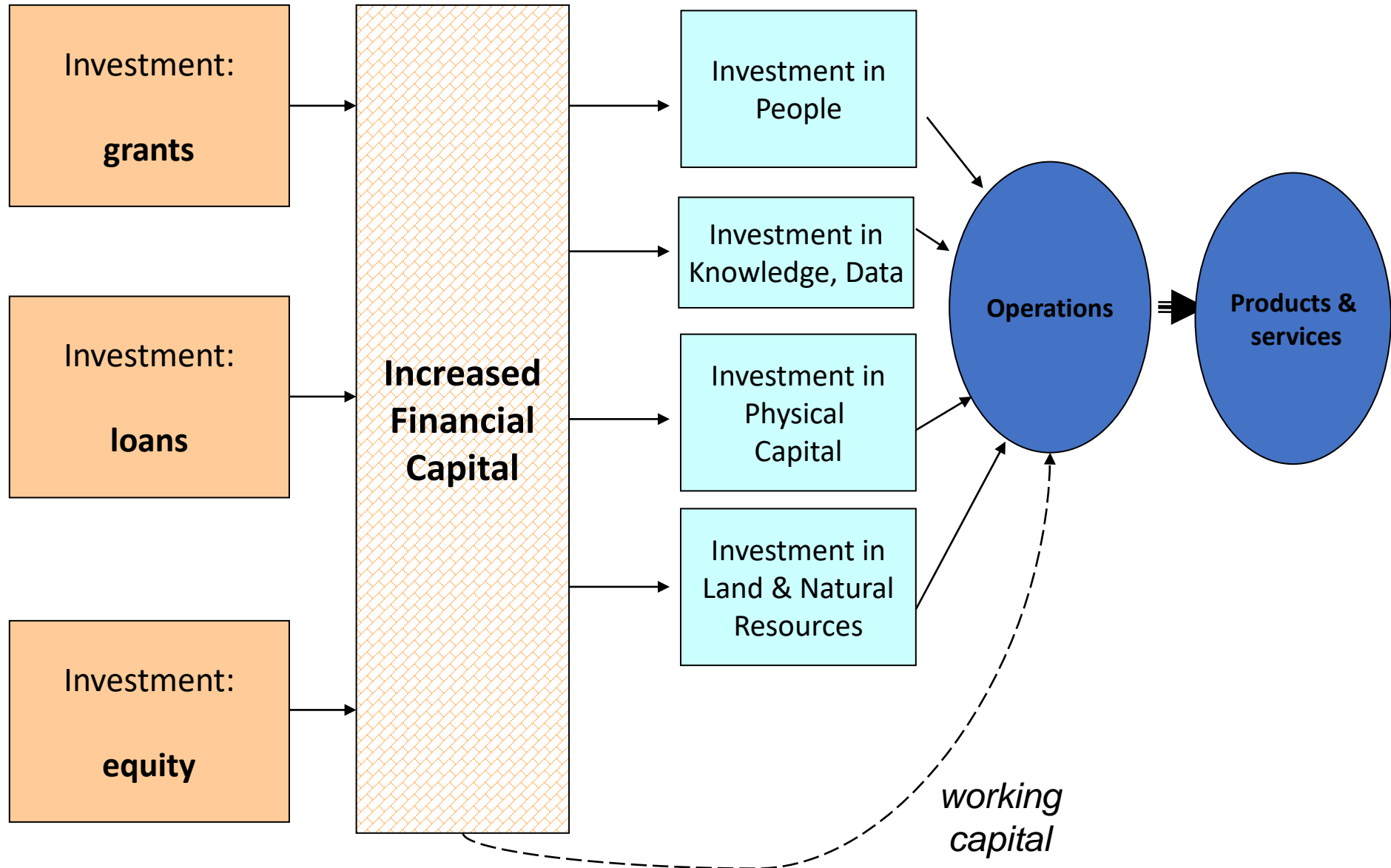
Dorset Community Energy (DCE) is pleased to announce that it is re-opening its 3rd share offer that closed in July 2019 having successfully reached its target of £445,000.

These funds have been used to install 700kWp of rooftop solar panels on schools and hospitals across Dorset. We have been able to secure a further three rooftop solar sites and are now seeking to raise £194,418 of additional share capital to fund these.

PV solar installation at  
Beaminster School, Dorset



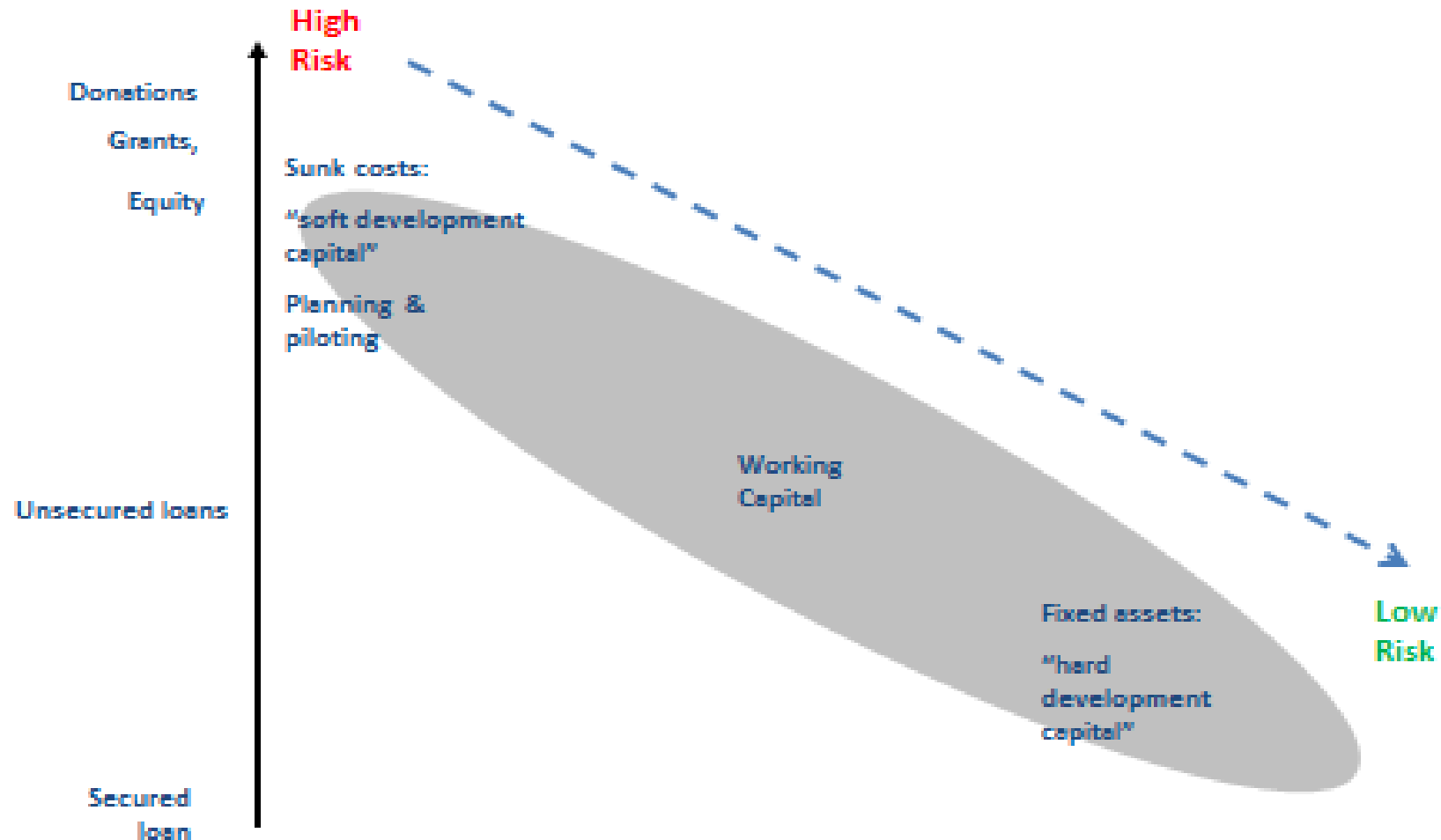
# Three types of finance



# 3 types of finance

- **Grants** – do not require a financial return. They support social or environmental returns.
- **Loans** (or debt finance) require interest payments and the repayment of the amount borrowed.
- **Equity** is investment in exchange for a stake in the organisation, in the form of shares. Shareholders can receive dividends or interest payments.

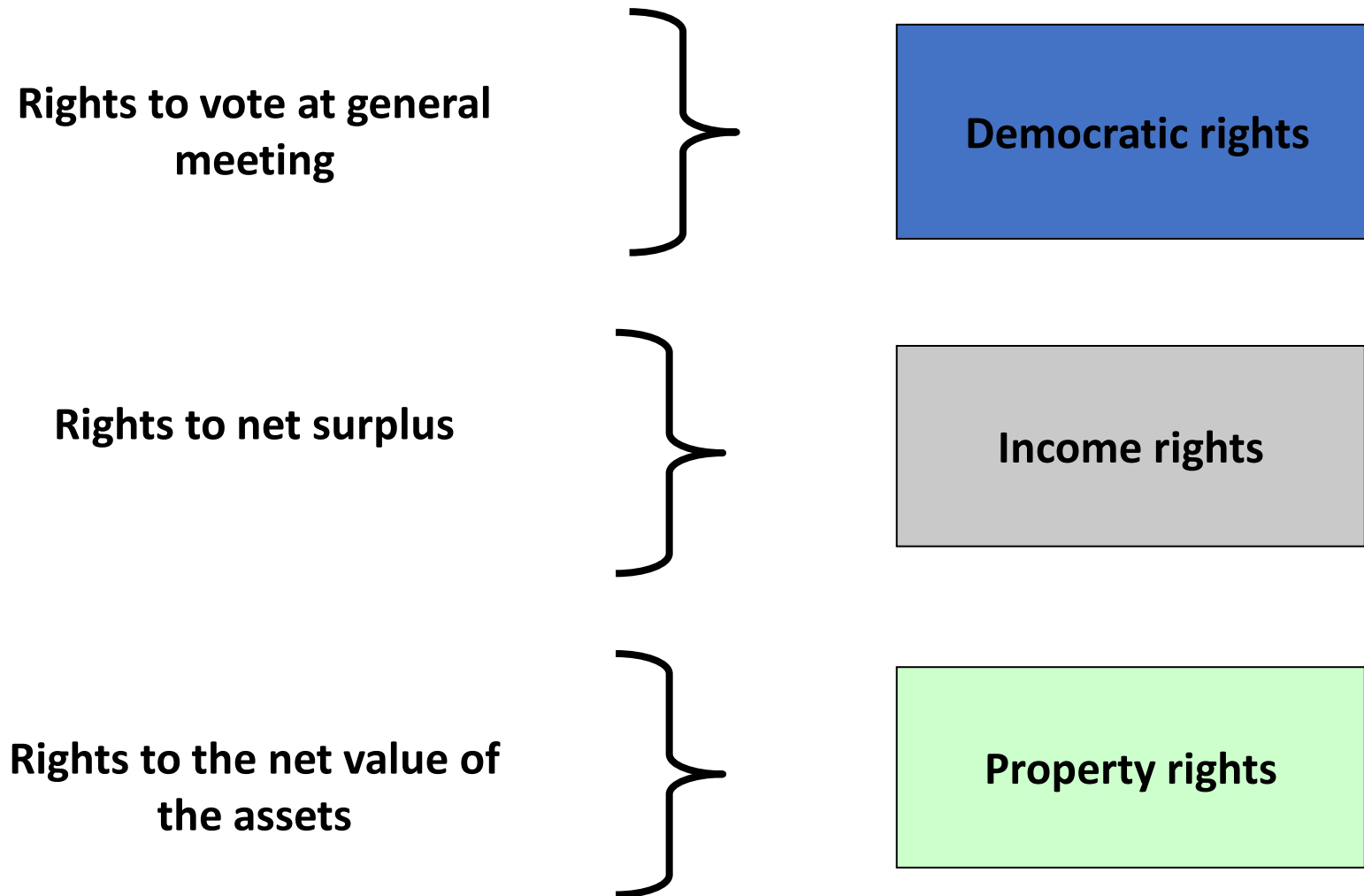
# Key principle 1: Different types of finance might be appropriate at different stages of development



# Key principle 2: rights to control

- **Grants** do not confer any rights, beyond the contractual obligations that a grant may entail.
- **Loans** carry with them an obligation to repay, but no other rights
- **Equity** can carry voting rights, income rights and/or a claim on the assets of the organisation.
- **Equity** has therefore proved to be problematic for organisations in the social economy (including charities, social enterprises and co-operatives )

# Key principle 2: rights to control

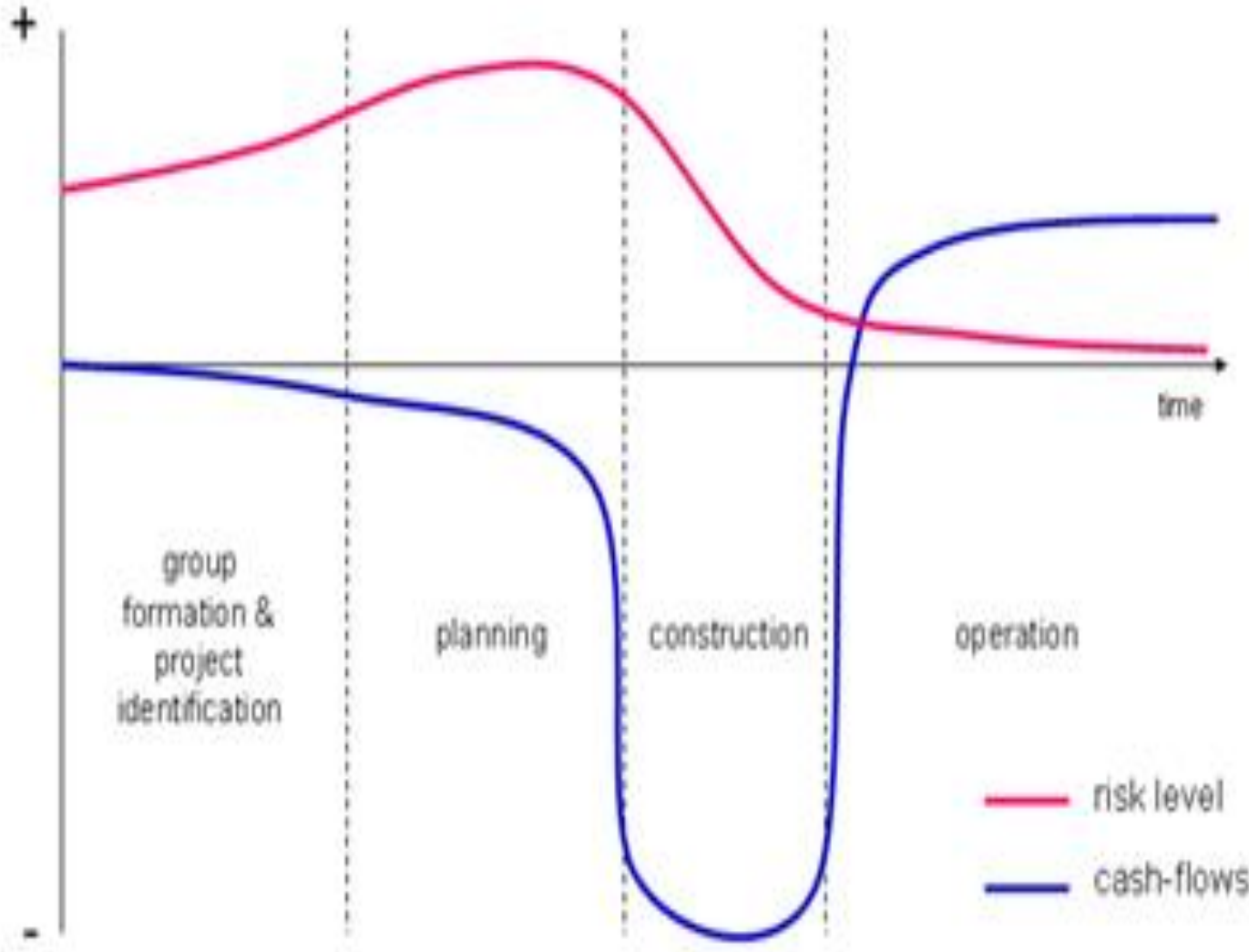




# Key principle 3: equity can be important in the early stages of development

- Loans are marked on the organisation's balance sheet as a liability and they usually require security e.g. a building or demonstrable income streams. They need to be paid back from earnings.
- Unlike a loan, equity is treated as an asset on the organisation's balance sheet. Immediate repayment or dividends/interest are not expected.

An example:  
Finance for housing



# Community share issues using a Community Benefit Society (IPS)

- Wessex Community Assets developed a set of model rules for raising share capital at low cost
- This means members of a community can invest directly in community projects and services
- It is cheap to set up and acceptable to independent financial advisors

# Wessex Community Assets

helping communities raise local finance through share issues and loans



**£152,775 raised**



**£105,000 raised**



# Kindling Farm

Withdrawable Shares



0-3%

Forecast return

Investors  
348

Days left  
51

Raised so far  
£703,615

+ Overfunding

Kindling Farm will be a pioneering, large-scale community-owned farm that will promote sustainable farming practices, producing healthy and organic food for all.

Match funded

Protecting nature

Better food

Login to invest

Register

Min investment: £200

**£155m+**  
raised through community share  
offers by  
**104,203**  
investors



**Fordhall Community Farm, Shropshire**



This report was funded by:



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# 585

community share offers  
launched by 440 businesses –

# 92%

of which are still trading today



Tafarn yr Heliwr pub, North Wales



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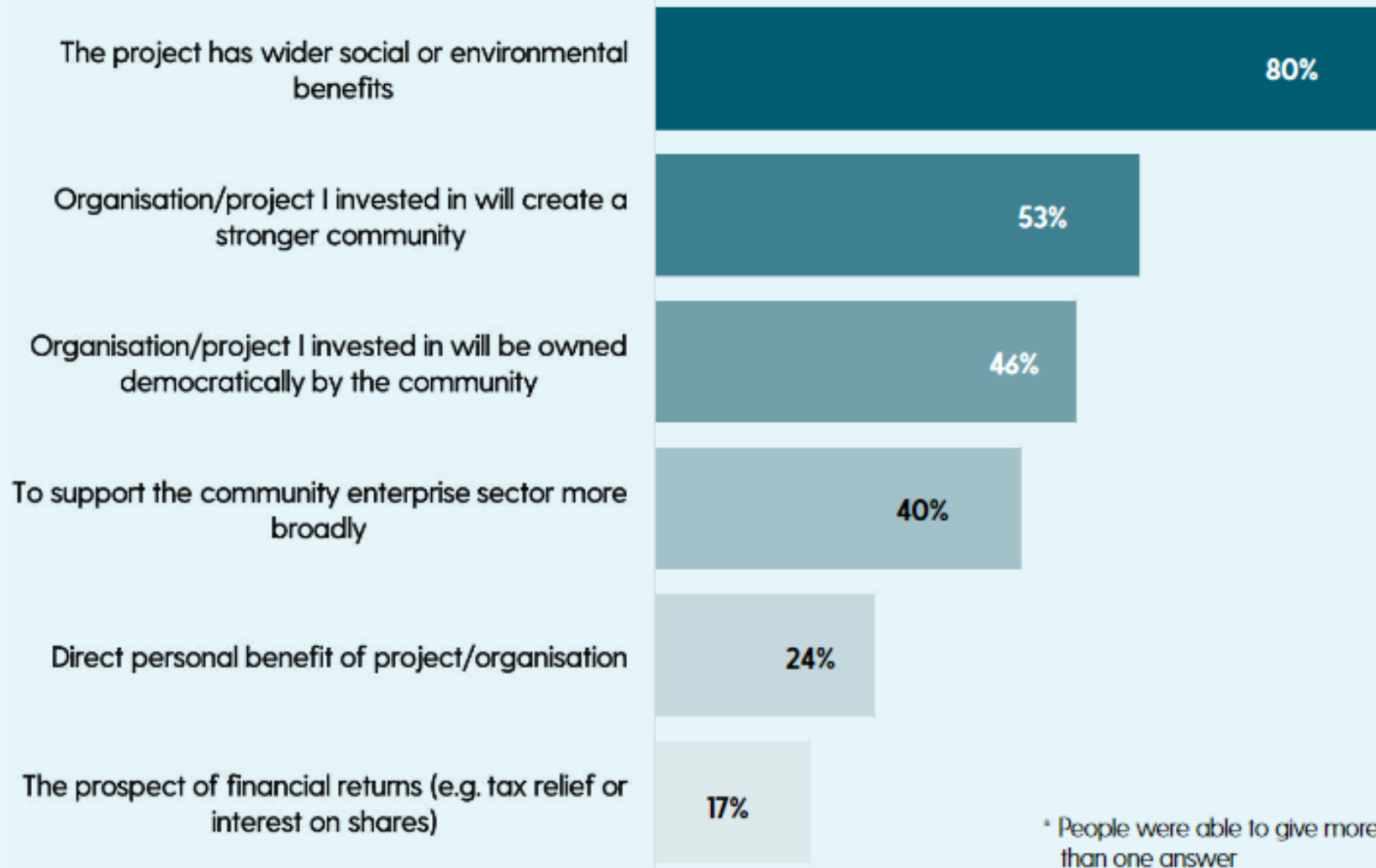


\* Asset-based share offers

\*\* Non-asset based share offers



## Top reasons for investing in community shares\*



\* People were able to give more than one answer

# 4.8%

average interest rate on community share offers



The **Tafarn yr Heliwr pub**, Nefyn raised £82,000 from over 500 investors from a community of 2,000 residents – an average investment of £164.



Edinburgh Student Housing Co-operative is part of **Student Co-op Homes**, which raised £308,875 of community shares capital to buy more housing to set up student housing co-ops across the UK.

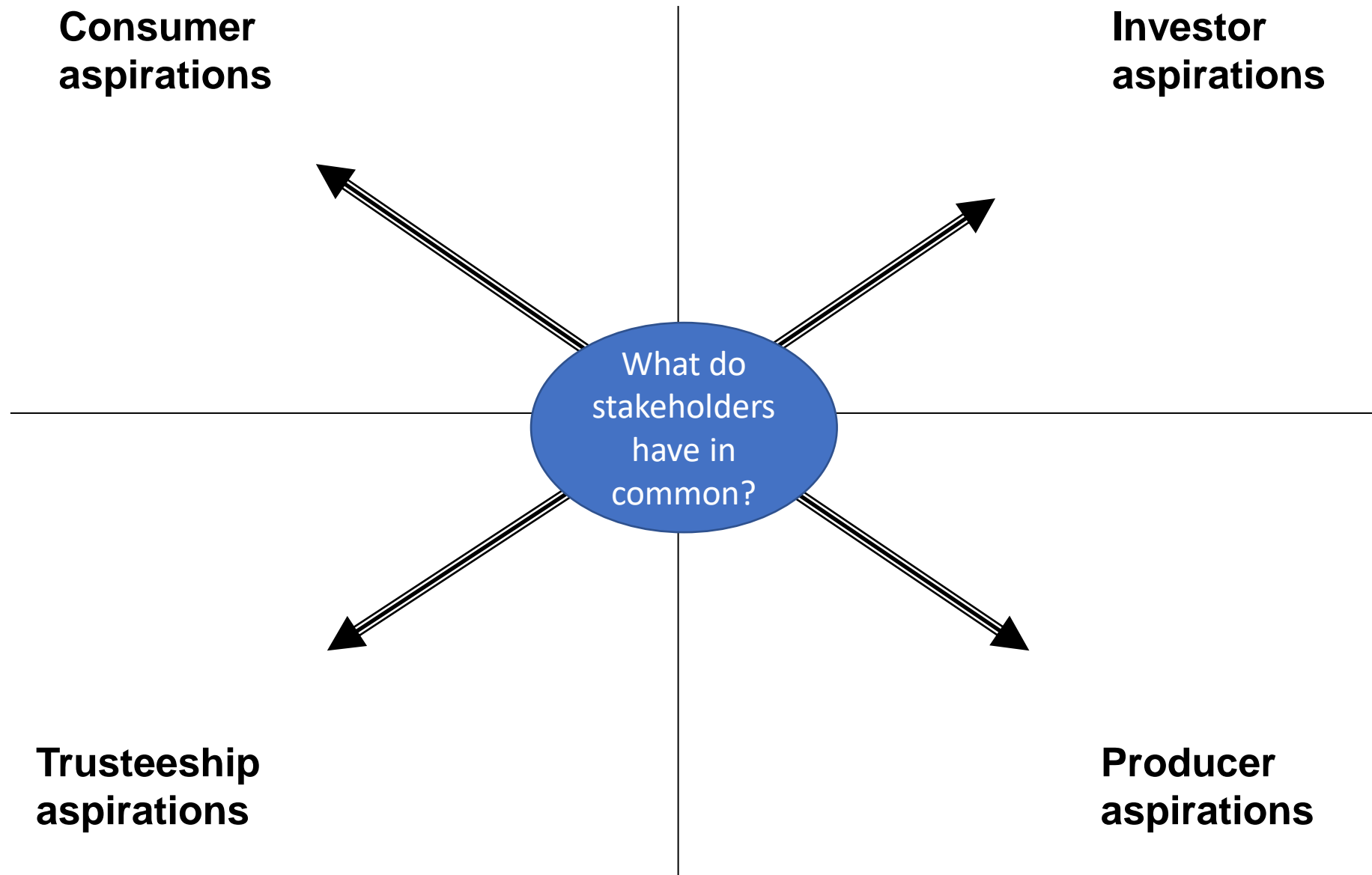
# The form of the organisation

- What will be the RULES of the organisation – the constitution or governing document which sets out the legal structure
- E.g.
  - Foundation
  - Company
  - Co-operative
- Who will be in MEMBERSHIP?

# Key stakeholders and their motivations

- Paid workers
- Volunteers
- Service users (inc. volunteers)
- Commissioners, e.g. local government
- Suppliers
- Providers of finance

# Stakeholders may have divergent aspirations



# What rights will the members have?

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