



## Briefing: Community Shares

Community shares are a way for an enterprise with a social purpose to raise capital. Community shares are not used in the same way as loans, grants, gifts or company shares. For the right enterprise, they have several advantages as a way of bringing investment - but they do not suit every organisation.

Their key features are:

- Only Co-operative and Community Benefit Societies can use community shares (not CICs, limited companies etc).
- These organisations have one member-one vote, so investors are engaged in a democratic body. Investor members are in control of these organisations.
- Profit to investors is limited, even if the enterprise thrives.
- They are lightly regulated, so relatively cheap to administrate.
- They need to be done properly by groups that understand what is entailed – not suited to casual or informal groups needing small very amounts of money.
- Investors do put their money at risk but should be able to 'withdraw' their shares. Shares are not gifts. The organisation needs to consider how investors will be able to get their money back, for example by generating a profit or by finding new investor to replace ones that want to leave. Community shares are not for projects where a group needs money to spend on running costs that do not generate income; they are for viable businesses that maintain assets such as land and buildings.
- Community share investors put their money into an organisation as share capital whereas lenders expect to be paid back after a set period.

Community share offers have been increasingly popular in recent years in many sectors including renewable energy, community shops and local food growing schemes. There are few examples in the community gardening sector so far but the idea is becoming better known. For example some groups have used share offers to buy land and the share investment is protected against the value of land.

You will need advice and information to do a community share offer. Visit:

<http://communityshares.org.uk>

[www.walescooperative.org](http://www.walescooperative.org)