

COMMUNITY SHARE AND BOND SCHEMES

'investment direct from your local community'

What is it?

Community investment is when people in a community buy shares or bonds in an enterprise serving a community purpose

Why does it help?

- Community investment is an additional source of finance for community initiatives, especially for an enterprise that serves a community purpose, like a shop, post office, pub or other local service.
- Larger amounts of capital can be raised through community investment compared to traditional methods such as fundraising appeals and events.
- Community investment is a powerful way of involving people in local facilities and services, especially where they invest in share capital and become members and part-owners of the enterprise.
- Community investment demonstrates the commitment of the community to the initiative and can help persuade others to invest, including public bodies.

The key principles

- It is vital to understand the responsibilities and potential liabilities associated with community investment and to get professional advice and support in developing a proposal.
- The Financial Services and Markets Act makes it a criminal offence to promote investment opportunities to the public without authorisation, but there are exemptions from these requirements for charities and Industrial and Provident Societies (IPSs) offering certain types of investment product. Exempt investment offers include bonds issued by charities and withdrawable share capital in IPSs.
- Bonds are a form of debt and must be repaid on the agreed redemption date. Withdrawable share capital can be withdrawn by the investor following a period of notice specified by the issuer. Interest can be paid on bonds and shares. Interest on investments in industrial and provident societies is limited to what is sufficient to attract investment.
- Most types of shares give membership to the holders. Members of IPSs have rights to govern the society on the democratic basis of one-member-one vote. There is an upper limit of £20,000 on the amount an individual can invest in an IPS.
- Registered charities cannot issue share capital, but they can issue bonds.

Dos and Don'ts

- **Don't** be put off
- **Do** start with a business plan
- **Do** obtain professional advice
- **Don't** rely solely on community investment
- **Do** ensure that you build a communication plan
- **Do** offer realistic returns
- **Don't** ask for more than your community can afford
- **Do** ensure you have the right legal form

The next steps

Co-operative Futures can provide support and advice to communities throughout Gloucestershire who want to consider community investment.

Contact jane.grindey@co-operativefutures.coop or visit www.co-operativefutures.coop or www.glossteppingup.org. More information about community investment can be obtained at the following websites:

www.cooperatives-uk.coop

www.communityshares.org.uk

www.dta.org.uk

www.plunkett.co.uk

www.wessexrt.co.uk

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Feedback

Send feedback to

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