

Community Shares: Essential Finance for Co-ops

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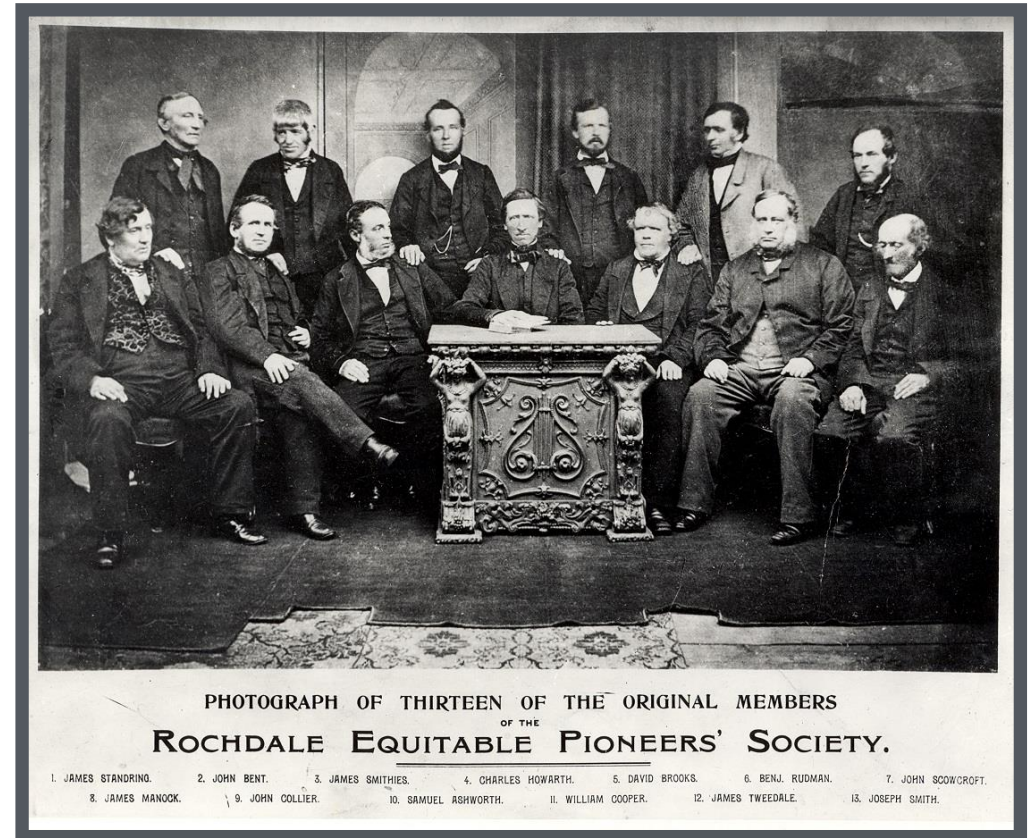


Co-operative Congress
London 23 June 2018

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Community Shares: What are they?

- Form of capital specific to societies
- Helped finance growing co-operative retail movement in 19th century
- How do you raise capital for a business which people either think won't succeed, or shouldn't succeed?
- You get capital from the people in whose interest it is for it to succeed
- Becomes a form of savings account for the same people in an era where people didn't have bank accounts



Withdrawable Share Capital

- Can be returned to investors (withdrawn)
- Can have interest paid on it (cost of capital)
- BUT both dependent on trading circumstances
- Can't go up in value, but can fall
- Can get tax reliefs

How it works

- You invest £500 in a share issue
- The society raises in total £500,000. If it goes into the building, then effectively, the money is turned into bricks. The value of the bricks is the asset value in the accounts.
- One year, it makes a surplus of £50,000. It decides to pay interest of 3% = £15,000, which is calculated before tax. It now has capital of £515,000 on its balance sheet. Your investment is now worth £503
- It has £35,000 left to enable withdrawals, so can support withdrawal of 6.7% of its capital that year on a first come, first served basis.

What you need to run a share issue/1

- A business idea
- A crowd of people who want to live in a world where your idea is a thriving reality so much that they'll give you the cash to make it happen
- A willingness to share ownership and governance of the business with those people

What you need to run a share issue/2

- An offer document / crowdfunding page
- A business plan, ideally
- The right legal structure and rules
- A marketing / campaign
- A team of people to work hard!



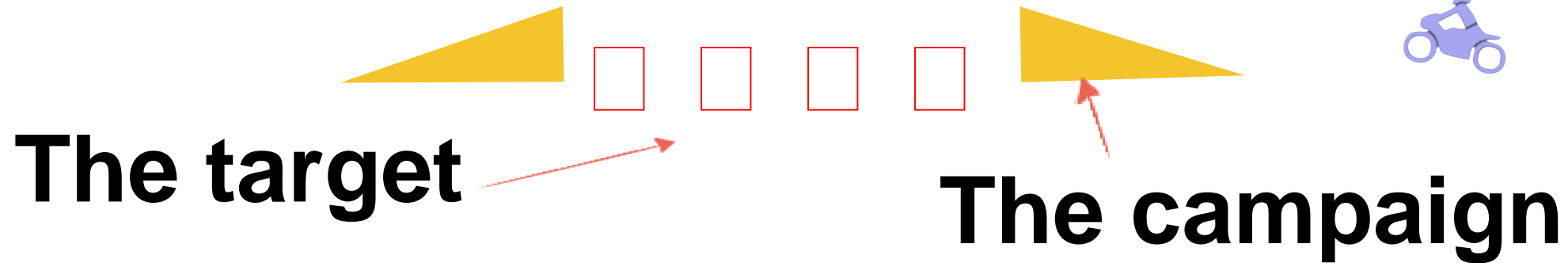
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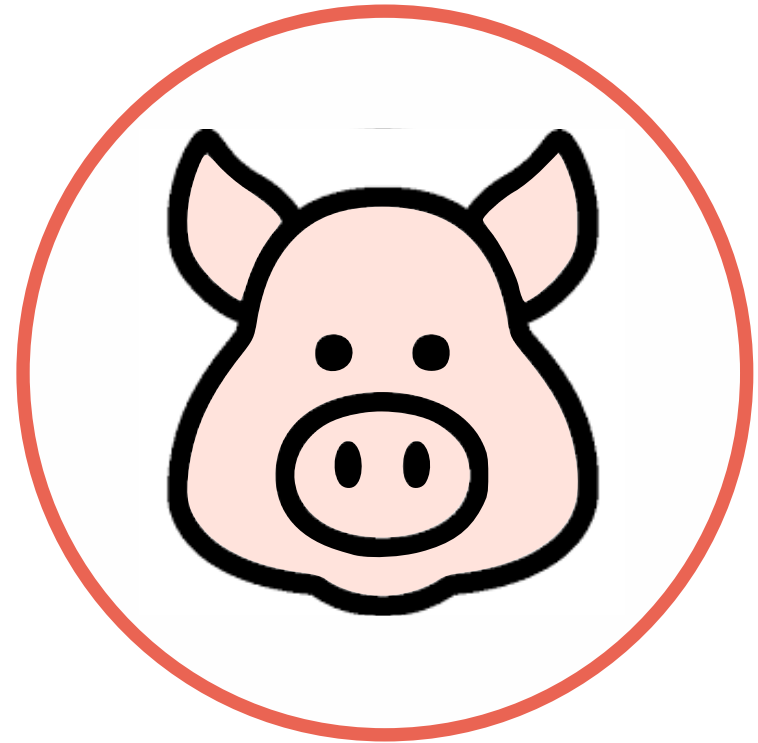
SPEED = YOUR ENGAGEMENT

Your co-op's salience



Tips...

You can't
fatten a pig on
Market day



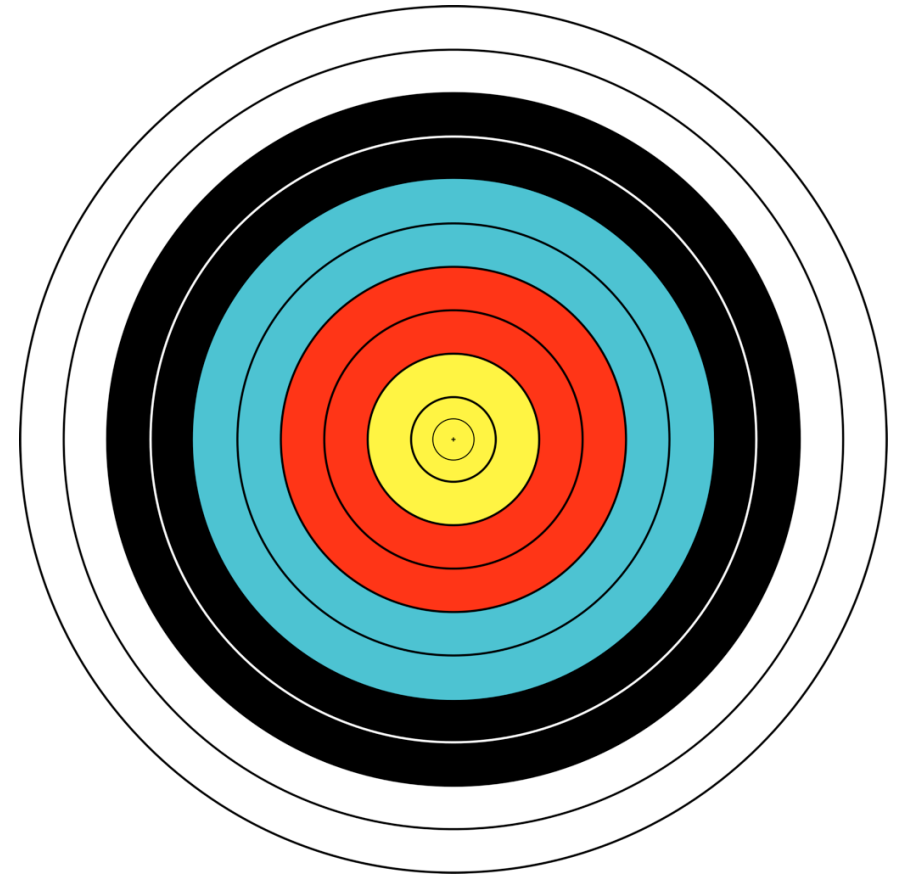
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Tips...

Keep talking
to normal
people

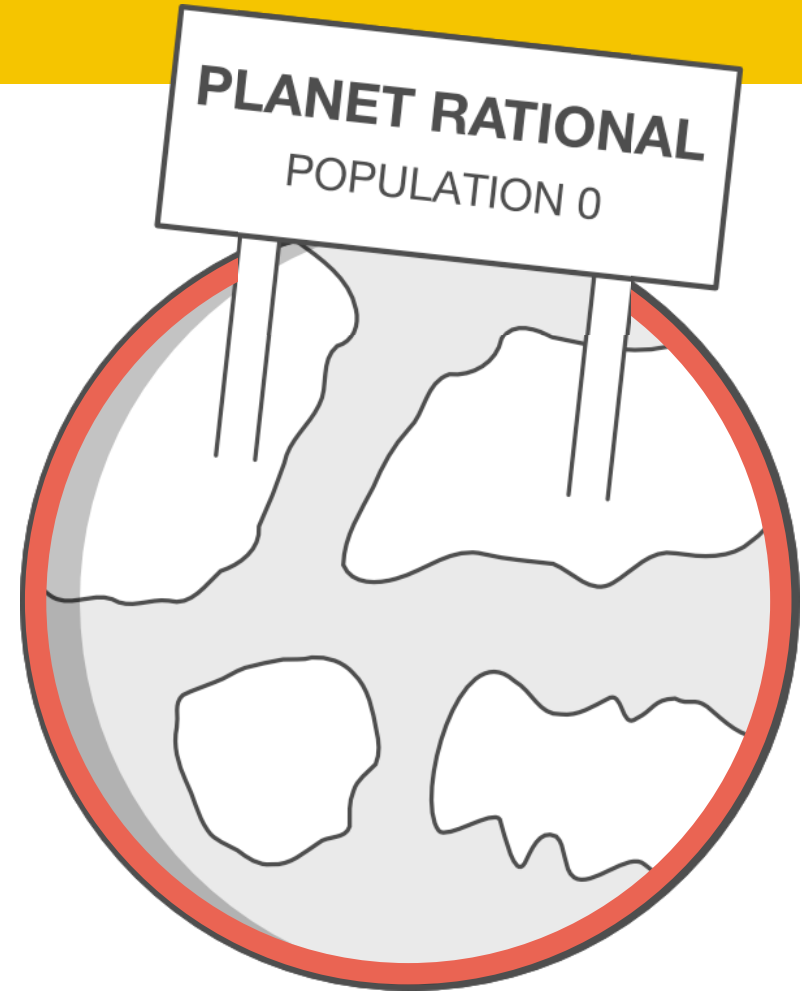
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Tips...

Get emotional
with it



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