Financing community food
Securing money to help community food enterprises to grow
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Summary
This report examines the funding needs of community food enterprises and how they can continue to use food to achieve a wide variety of important social and environmental benefits.

The focus of this report is on change. A considerable amount of work will need to be done by community food enterprises to improve their prospects of finding the right financial solution when they need it. The demise of many business support services to help them through this process is therefore very worrying. In their absence, other support organisations, membership networks, funders and government will need to help. Our recommendations – summarised below – are intended to encourage all these organisations to take action.

Understanding the enterprise funding landscape
- Assess the scale of the sector’s funding requirements in the medium and longer term.
- Be clear about the funding needs of different types of community food enterprise.
- Recognise the continuing importance of grants in supporting innovation and addressing social deprivation.

Helping enterprises become investment ready
- Develop advice and mentoring programmes to help make community food enterprises ‘investment ready’.
- Help community food enterprises to generate more of their own income.
- Assist community food enterprises in preparing to secure appropriate external funding.
- Develop financial and management skills in community food enterprises.

Increasing the availability of finance
- Promote to potential funders the many benefits of the community food sector and its particular needs.
- Promote community shares, community loans and donations as options for funding community food enterprises.
- Champion tax incentives to facilitate more funds being made available for community food enterprises.
- Investigate the possibility of establishing investment clubs and Slow Money investment to make more funds available for community food enterprises.

Improving connections between enterprises and funders
- Communicate in plain English.
- Help enterprises to understand the needs of funders.
- Bring community food enterprises and funders together.
- Explore the feasibility of more finance partnerships between funders, support organisations and community food enterprises.
- Explore the feasibility of organisational models that share risk and provide loans.
- Extend the Enterprise Finance Guarantee to community food sector loans.

Our ambition is to see the community food movement grow and thrive. The recommendations set out above promote evolution rather than revolution: they are intended to increase the prospects of individual enterprises securing the finance they need to succeed. We warmly encourage the engagement of those with an interest and stake in the prosperity of the community food sector to join in.
1. Introduction

This report examines the funding needs of community food enterprises and how they can continue to use food to achieve a wide variety of important social and environmental benefits. The report was written following a series of community food finance meetings, bringing together organisations that assist community food enterprises, with progressive funders. This process was undertaken as part of the five-year Big Lottery funded Making Local Food Work programme that has – since 2007 – supported a wide range of community-run food enterprises to help communities take control of their food and where it comes from. The community food finance meetings discussed how best to secure funds for community food enterprises in the future, to help them through the all-important start-up phase, and to obtain funds to grow and, thereby, continue work that has more charitable than commercial aims.

Our ambition is to see the community food movement grow and thrive. Our recommendations promote evolution rather than revolution: they are intended to increase the prospects of individual enterprises securing the finance they need to succeed. We recognise that everyone with an interest in the future of the community food sector has a role to play in making the changes necessary, either directly or by influencing others.

We wish to encourage conversations between enterprises and their communities, the sector organisations that support them, the individuals and organisations that provide funds, and with government, whose policies provides the framework in which we operate.

By the term “community food enterprise”, we mean an organisation that is primarily run by the community and for community benefit, and which uses food – particularly the trade in food or food-related goods and services – as a means of achieving a variety of social and environmental benefits. The types of enterprises that Making Local Food Work has supported, and which are therefore the main focus of this report, are:

- Community shops, pubs and cafés
- Organisations whose main aim is to make fresh food available to deprived communities and/or in low-income areas, and places where little, if any, fresh produce is available
- Catering services that focus on low-cost, fresh, healthy and local food for vulnerable groups such as schools in low-income areas, care homes and lunch clubs for older people
- Projects whose main aim is to educate local people, or people with physical or mental health needs, in growing and cooking good food
- Farmer or food producer co-operatives that grow and sell local food
- Co-operatives that pool community buying power to support food producers, such as consumer food co-ops and Community Supported Agriculture

Such community food enterprises trade in goods and services, but making money is not usually their primary aim. Indeed, many are established formally as ‘not for profit’ or charitable organisations that on principle re-invest any surplus income in pursuing their core objectives. The communities who run such activities are inspiring. Motivations are varied, but at heart, such community food enterprises seek to address fundamental issues for their communities and customers. For some, the motivation is to improve access to fresh and healthy food, particularly for disadvantaged or vulnerable groups. For others, the main issue is to improve local economic resilience, for essential services such as community shops, and for local farmers. For others, protecting the environment and improving animal welfare is the primary concern, seeking to use food enterprises as a way to encourage behaviour change. Among those we have worked with there are also pioneering community-led enterprises that have even bolder ambitions. We have
come to know these as exciting innovators, investing their considerable talents in community
organising through food enterprise to start building a better way of feeding ourselves in the
future. These pioneers aim to contribute to a food system that is fair, economically resilient and
makes wise use of the earth’s resources, whilst creating good local jobs and community
connections in the process.

Fruit and vegetable packing for the successful Growing Communities social enterprise in Hackney

Many of this broad range of community food organisations are increasingly interested in taking
an enterprising approach to generating more of their own income. Some are already doing so
successfully, others have only just set out on that road and are still developing the skills and
mindset to do so.

Income may come from trading in food, other goods, and in services. Because of their social and
environmental focus, many have in the past been recipients of donations or grants to help them
achieve those aims. In some cases, local authorities have also transferred assets such as land or
buildings to support the good work. Such income or assets may have been provided by the
community, charitable foundations, the Big Lottery, local authorities, national government, or
from European development funds – and occasionally by private sources.

However, community food enterprises – as with many others seeking to prevent social and
environmental damage at a local level – are now experiencing the chronic effects of the global
financial crisis, public spending cuts and a government shift to expecting the ‘Big Society’ to fix
social problems. This presents community food enterprises, and the organisations that support
them, with a big challenge. Where will funding come from in the future to ensure that
community food enterprises continue to grow and thrive, and hence to ensure that they can
continue to achieve the multiple social and environmental benefits for which they were
established?

As part of the Big Lottery funded Making Local Food Work programme, we took the
opportunity to gather together a group of people keenly interested in community food
enterprises and their funding needs. We set out to explore a range of grant, loan and community
investment options, and to develop recommendations for the various organisations that would
need to act to make such opportunities available, and on a larger scale.
As with all enterprises and organisations, the need for external funding is ever-present. This might be for start-up finance for a trading enterprise, an investment in equipment, vehicles or enterprise development, or to subsidise the more socially or environmentally focused work that may never be fully financially viable. Most of the community food enterprises we have worked with are structured as co-operatives or community interest companies, or charities structured as companies limited by guarantee. None pay dividends to shareholders, although some may issue shares or loan stock. Very few own assets such as land or buildings against which loans can be secured. Even where income-generating potential is good, income can fluctuate – varying due to, for example, the school calendar and variable local food availability through the seasons.

The needs of this sector, whilst sharing some similarities with commercial small and start-up enterprises, have very particular requirements and limitations. Some forms of finance may not be suited to their needs and, for some, full financial viability through trading seems unlikely and some level of grant support or other subsidy may still be needed.

We therefore set out to ask questions such as where should community food enterprises now go to get the sympathetic and socially-motivated investment they need and deserve? What types of funding are most suited to community food enterprise, such as grants, loans and community finance, and what are the strengths and drawbacks of each? What would it take for sympathetic funds to be made readily available? How much is needed? How should funders present those opportunities? And how should the community food enterprises, in turn, develop and present themselves to make a convincing case for that investment?

Members who have invested in the Community Farm near Bristol, a Community Benefit Society

Our aim is to open up more opportunities to succeed for the community food enterprises that are ready, willing and able to trade, by removing barriers to providing grants, loans and community investment. This report is not a technical guide to finance for community food enterprises. There is already excellent guidance available from the Making Local Food Work programme and other sources. We include details in the footnotes and in the sources of useful information section, as well as listing publications useful to community food enterprises at the end of the document.

Our recommendations – directed at government and other policy makers, funders and support organisations – and sometimes to ourselves and to the community enterprises we work with – emerge through the report and are brought together in the summary (above).

This report seeks to set out the issues and explore some of the answers. We see this as just one step in a broader process. We look forward to working with a wide range of community food enterprises, enterprise support organisations and funders to help develop a more amenable funding environment where community food enterprises can grow and thrive.

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1 Loan stock is a loan to a company, with no security or guarantee. The holder of loan stock becomes a creditor of the company – the loan is treated as a debt.
2. The enterprise funding landscape

Community food enterprises are diverse and need money for different reasons, for example working capital to buy stock or undertake marketing; paying bills before trading starts or when seasonal income is low; and capital for investment in assets such as facilities and equipment. This section describes the enterprise funding landscape, and makes recommendations for how some problems can be addressed, for the benefit of community food enterprises.

Note that where “support organisations” are mentioned, this means the organisations that offer enterprise advice and other business services, and also the specialist membership networks that support, for example, community shops, real bread bakers, farmers’ markets, food-growing enterprises and community-run farms. These networks may have an important role to play in shaping the funding landscape for their members in the future. We also note that there are emerging opportunities in a new phase of the Making Local Food Work programme to work with specialist support organisations and membership networks to start addressing issues such as the funding needs of their members. Several of the recommendations could therefore be used in that work.

How much money is needed by the community food sector?

The recent Breedon Report\(^2\) from the Government’s taskforce looked at finance for small and medium-sized businesses. In the report, UK Business Secretary Vince Cable highlighted that “Britain’s recovery will depend on companies being able to access the finance they need to invest and grow”. However, the report shows that businesses very often cannot get small-scale finance, and over half use unsecured\(^3\) (and hence more likely to be expensive and risky) credit card loans. Shockingly, the Breedon Report also shows that the funding gap – between what is needed and what is available (across all sectors, and including food) - is in the order of £84bn to £191bn. To give a sense of the scale of that shortfall, the government’s Big Society Capital initiative was set up with around £600 million of unclaimed bank accounts, seeking to “enable organisations tackling social issues to grow by encouraging investments made for social as well as financial return”.

To make a call on any such funds, if they are made available, the community food enterprise sector needs to make a good case for that investment, and get better at understanding what to ask for. If we start from the premise that community food enterprise has an important role to play in building a fairer, more economically resilient and more environmentally sustainable future, then how much money would be needed to build a sufficiently large number of enterprises, and

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\(^3\) For a secured loan, a borrower pledges an asset (e.g. property) and if the borrower fails to repay the loan, the lender takes possession of the asset and may sell it to regain some or all of their money. For an unsecured loan, there is no asset pledge and the lender relies on the borrower's promise to pay it back.
enterprises of sufficient scale and reach, to make significant progress towards this goal? What would it take for there to be community run real bread bakeries, micro-breweries, local shops, fruit and vegetable distribution schemes, food co-operatives and farmers’ markets established throughout the UK? And if the enterprises are sufficiently convincing to funders to attract their investment, how much money are we asking for, and in what forms?

We found that there has been some work to quantify needs in specialist areas in the community food movement, and some have more robust figures than others. However, this leap of imagination has not been taken by many so it would not currently be easy to present a confident proposal to funders to start building towards a substantial amount of funding for the sector.

**Recommendation:**
Assess the sector’s funding requirements in the medium and longer term.
Support organisations and funders should work together to develop projections for the sector’s funding requirements, and the types of finance most suited to the different types of enterprise.

**Limited options, little innovation**

Currently, there are limited funding options for community food enterprises and little innovation in how funding is made available and the way the relationship between enterprise and funder works. Recently, the sector has benefited from two large injections of money from the Big Lottery, both through Making Local Food Work and directly from the Local Food Fund, but these have now completed their grant-giving activities. Whilst very welcome, these were temporary initiatives, and many currently active food projects thus funded now lack money to continue their work or develop into a community food enterprise.

The experience of small businesses in the wider economy is illuminating. A survey during the credit crisis by Warwick University in 2009 revealed that only 3% of small businesses used share equity to raise money, while 55% used credit cards. The survey also highlighted an increase in loans from family and friends: the number of enterprises using loans from their family alone increased from just under ten per cent to over fourteen per cent.

In 2011 Sustain undertook research into how organisations involved in growing and processing food raise money to start and develop enterprises, published as Food & Finance: How small-scale food enterprises raise the money to grow. The 20 or so enterprises investigated in detail were a diverse mix of small- to medium-scale food organisations with a range of legal structures and different funding sources. Funding in the sector was characterised by the following:

- Heavy reliance on grant funding, often from government or European sources, and more recently from the Big Lottery
- The importance of community shares or loans as a source of funding
- A limited range of lenders, with very little high-street bank participation.
- Heavy reliance on personal investment from owners, their families and friends. In the few cases where a high-street bank had provided some finance, this was usually secured against personal assets such as a family home

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4 An equity share is money provided in return for a share of ownership in a company or enterprise and, depending on the share agreement, voting rights and a claim on profits of the company and on assets.
5 Food & Finance: How small-scale food enterprises raise the money to grow (2011), undertaken as part of the Making Local Food Work programme, downloadable on the Sustain website at: www.sustainweb.org/publications/
• There were no examples of innovative funding approaches, such as crowdfunding\(^6\).
• There were two examples of small-scale food enterprises that had been funded or provided with other support by a larger business.

**Recognising diversity: different needs and funding solutions**

Community food enterprises are diverse with many different ways of trading, ranging from an urban food growing group serving a city community, to a retail shop in a rural village selling food from local farmers and producers. Some enterprises exist only with grants; others are sophisticated businesses managing a number of income streams. Some are a creative combination of both, with strands of income-generating activity that run alongside trading in goods and services, training, grant-funded work and charitable activities. Diversity is a wonderful characteristic of community food enterprises, but it can also mean that it is difficult for funders to understand what opportunities and risks these present.

Typically, two factors in particular determine an enterprise’s funding needs and the right solution to meet these, which will also change over time:

1. **The type of business** – enterprises at different points in the supply chain, from field to fork, usually have different funding needs. For example, a growing group based on rented land is likely to need less finance for capital investment than a processing business that requires equipment, premises and stock. However for the growing group seasonality may mean that income is low at certain times of the year.

2. **The stage of development** – enterprises will be at different stages in their development from the early development of the idea, through to growth. Some may need to restructure to evolve in a different direction or format. The amount and type of money needed and the risk associated with it are different depending on the stage.

Two common themes emerge from our experience:

• The importance of encouraging funders to recognise diversity, and to tailor different funding options to different types of enterprise.
• The important role of membership networks and mentoring schemes to help funders identify enterprises with the characteristics to succeed.

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**Recommendation: Be clear about the funding needs of different types of community food enterprise**

One size will not fit all. Support organisations and funders should work together to develop funding packages appropriate to the needs of different types of enterprise. This should be informed by the experience of successful enterprises, establishing what can help reduce risks and increase the likelihood of an enterprise succeeding, and hence their attractiveness to funders.

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\(^6\) Crowdfunding or Crowdsourcing is a branch of community finance, where new or existing businesses can solicit for contributions from a large number of stakeholders via an online marketplace. In the majority of cases the contribution is in the form of donations where there is no expected financial return but the donor receives gifts or rewards in return for their contribution.
**Risk aversion dominates funding decisions**

When funded through grants, innovation funds, community shares (see box, page 16) or research projects, community food enterprises have been able to afford to take risks. Their supporters are likely to be sympathetic to experimentation and the possibility of activities not going exactly to plan. However, with funding from more commercial sources, such as community investment funds or progressive banks, risk becomes dominant in funding decisions. Risk is therefore something that enterprises and their support organisations need seek to understand better and be able to present evidence that they can reduce risk or manage it effectively.

It is worth noting here that high-street banks are so risk-averse, and conscious of the costs of processing lots of paperwork for smaller-scale community food enterprises, that we judge that these seem highly unlikely to be the source of funds for the community food sector, in either the short or long term.

The contributing factors to risk that may affect funding decisions for the community food sector include the fact that food products are often low value, highly perishable and seasonal and this can lead to low margins and seasonal cash flow issues. In addition, community food enterprises may have no assets against which to secure a loan, such as land or valuable equipment.

Moreover, lenders may look for opportunities for enterprises to “add value” to primary products, as an important source of profits, and hence generate the necessary surplus to pay back a loan. However, opportunities to “add value” to primary produce may not appeal to a community food enterprise where processing may conflict with a social or environmental motivation, such as promoting fresh produce or minimising waste and packaging. In some cases, community enterprises that have an explicit purpose to address poverty, health or environmental issues may find themselves pushing against the grain of the highly profitable food culture.

Together these factors put the community food sector at a disadvantage relative to other social enterprise sectors such as housing and energy, which may be a more attractive proposition for funders. Typically, this risk aversion manifests in two ways: the predominance of secured loans and dependency on grants.

1. **Predominance of secured loans** – there is no information currently available on the funding of community food enterprises as a sector, but a look at the wider social enterprise sector is informative. A report based on research undertaken for Big Society Capital found that 84% of investment activity in 2010 in the area of “social investment” was secured lending (i.e. a loan secured against assets, considered a lower-risk option by lenders). Only 5% of the social investments were equity or quasi-equity (i.e. money provided in return for a share of the ownership in – and sometimes an element of control of – the enterprise, considered a higher-risk option by lenders). The researchers commented that this is ‘a long way from the vision of social investors taking risks to stimulate growth and innovation in social enterprises’. This is consistent with our experience in the community food sector.

2. **Significance of grants** – the community food enterprise sector is fortunate in having benefited over recent years from a number of local, national and European grant schemes to support start-up and growing enterprises. However, financial cutbacks and the increasing numbers of enterprises seeking funding are expected to reduce the opportunities for individual enterprises in the future. Indeed grant support is already drying up from

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traditionally fertile sources such as Regional Development Agencies, European funds, the Big Lottery and local authorities.

Grants benefit community food enterprises in a number of ways. At start-up they reduce financial risk to the point where the enterprise has sufficient confidence to make the leap. Thus, for many groups with the confidence but not the cash, grants have allowed an enterprise to get started. Grants can also help community food enterprises to subsidise work that has low prospect of being fully financially viable on its own, such as providing food growing opportunities for those with mental health problems, or providing fresh fruit and vegetables to vulnerable groups or communities living on a low income. The ambition for all community food enterprises to become fully self-financing seems unlikely for those serving communities most in need.

However, there are some – often unrecognised – drawbacks to grant funding. It may delay an enterprise’s efforts to establish a viable business model, and funders sometimes have requirements that create distracting and labour-intensive activities (such as measurement of factors that may not be core to the organisation’s development, but are core to the objectives of the funder) that may not be essential to the enterprise’s own long-term needs. Additionally, groups reliant on grants often face having to “re-package” what they do, and the benefits they create, to suit the needs of changing funding priorities and some funders’ preference for “innovation”.

Enterprises should consider grant funding carefully and develop a clear understanding of how it fits into their development, for example as a temporary bridge to a time when the business model is self sustaining. For those who see grant funding as needing to play a long-term role, they need to get very good at developing and sustaining funder relationships, monitoring and presenting the benefits of their work in a convincing way, and making the clear case for continuing grants.

**Recommendation:** Recognise the continuing importance of grants in supporting innovation and addressing social deprivation

Funders – particularly national government and local authorities – should recognise that grants still have an important role to play in helping the community food sector to grow. This is especially important for those community food enterprises working to address social deprivation, which makes it even more difficult for enterprises to become fully self-sustaining through trading activities.

**People, people, people!**

The success of community food enterprises depends on whether the people at the heart of the community group have the right mix of skills, knowledge and experience, and also whether

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8 Regional Development Agencies in some areas channeled money into community food enterprises, local food partnerships, local food groups and local food procurement. These have now been disbanded and replaced by Local Enterprise Partnerships. These vary in character between different regions, but in general have been reported anecdotally as focusing mainly on large-scale manufacturing industries rather than the SME and community-led enterprise sectors, food or otherwise.

9 Two reports commissioned by the Making Local Food Work programme may be useful on this point: Plunkett Foundation (2011) Exploring your impact: Telling the story of community food initiatives (see: www.makinglocalfoodwork.co.uk/Exploringyourimpact.cfm) and Growing Communities and Sustain (2012) Growing Communities: a manual of monitoring and evaluation (see: www.sustainweb.org/publications/?id=215)
these people have the confidence they can make it happen. When applying for a loan or community investment, do the people know how to prepare a cash flow forecast, do they have the information available to do so and is this evident to the prospective lender who is reading the application? Are the people confident that they can repay the loan and is this confidence shared by the lender who wants the money back?

In the community enterprise sector we engage with people as members or customers, as volunteers or employees and as directors on a management committee responsible for running the organisation. When considering a funding application, funders appraise the people at the heart of an organisation as well as the numbers.

However, funding skills go beyond financial management and planning to include leadership, communication and operational management. Good governance requires the people at the heart of the enterprise to understand their role and responsibilities.

Recommendation: Develop financial and management skills and knowledge in community food enterprises

Enterprises should ensure they have the right financial and management skills and knowledge to be able to make a convincing case to funders, and seek help to develop these if they are not present in the organisation.

Funders – whether grant or loan providers – should make it clear to community food enterprises what financial and management skills they wish to see in place to give them the confidence to invest.

“Don’t underestimate the willingness and ability of your community as a source of finance. People want to invest in something they can see and believe in.” Dan McTiernan, The Handmade Bakery

“The Real Food Store is part of an exciting bigger picture as thousands of people in communities throughout the UK are investing in their communities, in order to create –or not lose – a valued asset (be it a shop, post office, football club or renewable energy project).”

The Real Food Store website
3. Opportunities for change

In exploring funding options for the community food sector we have considered three inter-related areas where change would result in clear benefits:

a) Helping enterprises become “investment ready”

b) Increasing the availability of finance

c) Improving connections between enterprises and funders

a) Helping enterprises become “investment ready”

With limited funding available most enterprises are competing with other enterprises for the funds available. Whether it is a grant body that wishes to support community enterprises to achieve specific social or environmental results, or a lender that requires a loan to be repaid, the funder makes a calculation of risk and return.

In the case of a grant award, what is the risk that the enterprise will fail to achieve the social outcomes it promises? For a loan, what is the risk that the enterprise will be unable to repay it or afford the interest? Given the numbers and diversity of enterprises seeking grants and loans, which are able to offer the best return? An assessment of investment readiness is fundamental to inform a funder’s decision making.

What do we mean by ‘investment ready’?

At a simple level an enterprise is investment-ready if it is considered to be ‘ready, willing and able’ to provide the things it promises, in return for the funding it seeks. What does investment readiness look like? At the practical level, an enterprise is probably investment ready if it:

- Has a clear vision and plan to achieve it
- Demonstrates that there is both a market and room in that market for what it wishes to do
- Understands the needs of the funder and has addressed these needs
- Can provide sufficient information upon which the funder can make an informed decision
- Has people at the heart of the organisation with the financial and management skills, knowledge and experience to fulfill their promise.

The people, the business case and communication are key. In practice, whether they are grant-making or loan-lending, most funders will start to appraise an enterprise from its business plan. Time spent preparing a good plan is well spent, both for the enterprise and a prospective funder.

However, in our discussions, we heard from funders that community food enterprises commonly provide insufficient or poorly presented information to enable a proper assessment of whether or not that enterprise is indeed ‘investment ready’. Our contributors identified the following areas that deserve particular attention when helping enterprises to become investment ready:

- Generic technical support on topics like business planning, understanding risk and legal issues around governance and share issues
- Skills and knowledge in financial management and planning both at the start and as the enterprise develops
- Learning from the experience of other groups that have successfully done the same thing, particularly marketing the enterprise from the start.
- A formal mentoring programme for the people at the heart of the enterprise
- Knowing where to get relevant information and advice, particular in the very early stages
- Having a ‘critical friend’ to use as a sounding board

Support organisations have a significant role to play in helping enterprises become investment-ready. Mentoring programmes run by experienced local food practitioners may also have an important role to play here, and some such support programmes have started to be developed with the help of the Making Local Food Work and Local Food Fund projects. There may be scope to extend their role to provide funders with additional insight on investment readiness as well as providing services in an enterprise’s early years to reduce risk.

**Recommendation:** Develop advice and mentoring programmes to help make community food enterprises ‘investment ready’

Support organisations and funders should work together to help identify the characteristics of community food enterprises being ‘investment ready’. Support organisations should develop a range of services – as appropriate – to help community food enterprises develop the skills and plans to become ‘investment ready’. This might include guidance notes, advisory services and practitioner mentoring programmes.

Funders should publish their expectations for investment readiness and ensure that there is a focus on the long-term viability of the organisation as part of their application process.

**Making the right choice**

As well as a multi-billion pound funding gap, the Breedon Report\(^\text{10}\) also identified three inter-related challenges facing smaller businesses in the wider economy when they seek finance: they lack awareness of their options, they lack the financial understanding to assess their options and they lack the confidence that they will be able to secure alternative forms of finance. The report also highlighted that only 16% of enterprises seek advice when applying for a loan.\(^\text{11}\)

A survey of small businesses by the UK government’s Department for Business, Innovation and Skills (BIS) in 2010 found that two-thirds (66%) of businesses were planning to fund growth entirely through internal funding, i.e. paid for from their own trading profits. Although we have no data for the community food sector, these findings are likely to be similar, based on our experience of the sector.

Making the right choice requires enterprises to consider both the internal and external options when considering where to get funding.

**Internal funding:** When thinking about funding options, using surplus funds generated by trading is an important consideration that can help community food enterprises reduce their reliance on grants and other external funding. This can not only be a liberating way to take control of what to invest in, but can also make the enterprise more attractive to funders for

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\(^\text{11}\) Reference in Breedon Report: SME Finance Monitor Q4 2011, see: [www.sme-finance-monitor.co.uk](http://www.sme-finance-monitor.co.uk)
additional grants or loans. However, the enterprise will need to focus on business-like development, paying attention to cost control, cashflow, credit control, payment schedules, and pricing/mark-ups, if this surplus is to be achieved.

**Recommendation: Help community food enterprises to generate more of their own income**

Support organisations should tailor their advice to help community food enterprises generate more of their own income, and to show how this helps the enterprise develop.

**External funding:** Community enterprises may be fortunate to receive gifts or donations from individuals or organisations in its community or with an interest in its work. This potential source of funds gives community enterprises a distinct advantage, and has been shown to be very valuable, for example, in saving or developing community shops and pubs.

In the wider economy, businesses raise money in three ways: from grants, loans and share equity. These options are open to community food enterprises to a great or lesser extent.

There are risks and benefits for both the enterprise and funder. With each, the funder has rights for which the enterprise must take responsibility. These rights differ for the different type of funding and enterprises should consider carefully the impact on their organisation and whether any change necessary fits with its ethos and purpose.

- **Grants:** The grant funder has the expectation that the outcomes committed to by the enterprise are achieved and that the money is used for the purpose intended. If not, they may wish to have the money returned. There are different roles for grant funds. Some funds provide finance for enterprises with primarily social and environmental benefits; for other enterprises the funds may be necessary to bring in external advice to help with business planning and applications for funding, feasibility evaluation and research.

- **Loans:** The lender has a right to get their money back, in line with an agreed payment plan. Usually the loan is secured against an asset (e.g. property or land), and interest is charged.

- **Share equity:** By taking a share in the ownership of the organisation, a shareholder has a right to some control over how the organisation is run as well as getting some reward from its success such as the wealth created over time or the profit it makes. The options for share ownership in community food enterprises are limited because of the community ownership models commonly in use, for example Community Interest Companies (see page 17).

Community food enterprises also need to think carefully about the right option or mix of options in terms of legal structure and funding for their development.

Different legal forms have different rules about what may and may not be done with assets, whether share holding is permitted and whether and/or how members can receive a financial return. For more information on the pros and cons of different sources of finance and different legal structures, the Simply Finance\(^\text{12}\) and Simply Legal\(^\text{13}\) guides produced by Co-operatives UK as part of the Big Lottery Making Local Food Work programmes are useful references.

\(^\text{12}\) Simply Finance - a comprehensive guide to the different options for financing a community enterprise. Co-operatives UK, 2011: [www.uk.coop/simplyfinance](http://www.uk.coop/simplyfinance)

\(^\text{13}\) Simply Legal - a comprehensive guide to the legal forms and organisational types for community enterprises. Co-operatives UK, 2011: [www.uk.coop/simplylegal](http://www.uk.coop/simplylegal)
Recommendation: Assist community food enterprises in preparing to secure appropriate external funding

Support organisations should tailor their advice to help community food enterprises understand the nature and implications of different external funding options; appropriate legal structures to benefit from this; and how best to present an enterprise to secure funds from the community, social investors or commercial sources.

b) Increasing the availability of finance

We wish to see an increase in the availability and accessibility of funds for the community food sector and this will require more funders and more funds being made available. Different types of community food enterprises have different finance needs and offer different investment prospects: this is dynamic as organisations develop and grow.

The reasons why funders invest in the community food sector are also diverse. For some individuals, a social or environmental return dominates their interest in providing funds. Others wish to see at least some level of financial return or, as a minimum, know that their money is safe and could be returned at some point in the future.

Raising the profile of the community food sector

The community food sector has many unique characteristics. Food is vitally important to our wellbeing and its reliable availability is important to both personal and national security. In addition, the way food is produced has implications for significant issues such as the future of family farming, natural resource use, biodiversity, ethical production and climate change. Community food enterprises take many forms and provide wide-ranging social, economic and environmental benefits, many seeking to address all or some of these important issues.

Whilst the sector typically generates low and slow returns, the wider benefits fit well with community values, and also with lending organisations that have a commitment to Corporate Social Responsibility. Thus there is an opportunity to spread the good news and raise awareness and understanding of the sector and its contribution. The audience for this includes ethical funds and investors, the major banks, Big Society Capital and government in the UK and EU.

Recommendation: Promote to potential funders the many benefits of the community food sector and its particular needs

Support organisations should work together to raise the profile of the community food sector, its many benefits, and the help it needs to thrive. They should target ethical funds and investors, the major banks, Big Society Capital and government.

Gaining community investment

Communities can be very generous with donations, loans and share funds to support an enterprise that is in tune with their interests. However, experience shows that people at the heart
of the organisation seeking funds may underestimate the willingness of people to contribute
money, or may even be too embarrassed or reticent to ask.

The ‘community’ of an enterprise might be local – for example, local benefactors lend or donate
money to community shops.\textsuperscript{14} It might be a community of common interest – for example,
Fordhall Farm in Shropshire\textsuperscript{15} raised money from people locally, nationally and even around the
world with an interest in preserving a farming asset; and a pub in Yorkshire attracted investment
from expat people living in Australia.\textsuperscript{16} The community might also include prospective
customers who may be willing to pay money up front on the promise of a new service.

Experience shows that whilst these can be successful ways of raising money and may feel more
informal than grants or loans, it is still important that enterprises are open with contributors
about the risks associated with any contribution.

It is also worth noting that grant-makers and lenders may find it attractive to be involved with a
community food enterprise that has already raised at least some of its funds from the
community. A community share issue can help galvanise commitment and engagement within
the community at an early stage in the enterprise’s development, helping to secure a loyal
customer base through the all important first few months and years. This can demonstrate a level
of determination and community backing that will also give the enterprise a good foundation for
future sales, community involvement and fundraising.

\textbf{Community shares}

A growing number of organisations are raising
finance for social purpose through the public issue
of shares to local investors and other supporters of
their cause. Public fundraising of this sort is a
heavily regulated field, but the exemption from
some of the more expensive and legally onerous
laws for Industrial and Provident Societies for the
Benefit of the Community (IPS Ben Coms), has
led a number of community enterprises to adopt
this legal form. IPS Ben Coms exemption is based
on their raising money for social purpose and
there are other features of these organisations that
mean any financial return on investment will be
modest. IPS Ben Coms issue withdrawable shares,
which mean investors can only get their capital investment back when the Society is able to
afford it, and provides a clear mechanism for doing so. Village shops, pubs and local growing
schemes have used this method as a relatively cheap way to raise risk capital for their
community enterprises. It is an area, in spite of the exemption, not without its technical
difficulties but there is a growing body of best practice guidance and advice has been brought
together through the work of the Community Shares Programme.

\textit{See: www.communityshares.org.uk} and \textit{The Practitioners’ Guide to Community Shares:}
\texttt{www.uk.coop/sites/default/files/docs/practitioners_guide_to_community_shares_jul11.pdf}

\textsuperscript{14} Find out more about Community Shops at: \texttt{www.communityshops.coop}
\textsuperscript{15} Find out more about Fordhall Farm at: \texttt{www.fordhallfarm.com}
\textsuperscript{16} A range of case studies and information about Community Shares is available at: \texttt{www.communityshares.org.uk}
Expanding share equity

There is increasing interest in finding ways of opening up the ‘share equity’ funding route for more enterprises. This would also make investment opportunities available to investors with an interest in social and environmental benefits. However, giving up shares or control to an investor may be an uncomfortable prospect for community food enterprises, so new models of ownership and governance are being developed to tackle this.

Some enterprises are creating an organisational framework that opens up the opportunity for share equity investment, whilst retaining the organisation’s core community values. One option is to separate the ownership from the running of the enterprise. For example, a number of community pubs operate with the community owning the building but bring in a tenant with the industry experience to run the pub as a profitable business.

The use of withdrawable shares\(^\text{17}\) in co-operatives places limits on how shares are traded as well as how and when the money can be returned to investors. They are particularly suitable to co-operative organisations where shareholders, irrespective of the amount they invested, have an equal say as members of the organisation. It is worth noting that for some community investors, the money is considered to be more akin to a donation than a share investment, and clarity is helpful to ensure that the investor and enterprise end up with funding arrangements that are in the best interest of everyone involved. Although issuing shares can be a good way for some community enterprises to raise finance, enterprises should get advice because there are a number of legal and regulatory issues that need to be considered to ensure good practice.

Protecting the mission

Community of Interest Companies (CICs) were established under the Community Interest Act of 2004 and the Regulations of 2005, explicitly to reduce the tension between social goals and external finance. The CIC can take any existing company form but with CIC status.

The way in which this new status addresses the tension between finance and mission is by making the mission dominant and limiting returns on capital. The articles of CIC companies have the ‘communities of benefit’ as their primary rationale, and each year a CIC has to file a return with the CIC regulator showing its impact on the ‘community of benefit’. Equity holders can make a return but this is limited in three ways – a limit on dividends; a limit on the amount of the dividend per share; and an ‘asset lock’ so that if assets are sold, any increase in value goes towards the benefit of the ‘community of interest’.

CICs are an innovative form of social company whose aim is to allow social ventures to access equity investment while maintaining the social goals of the enterprise as paramount. While it may discourage some private risk investors seeking higher returns, in practice there have been investors who have in effect taken on this risk as their contribution to the social investment.

Summary adapted from ‘Ways to design, develop and grow social innovation: Social Venturing’ by Robin Murray, Julie Caulier-Grice and Geoff Mulgan, published July 2009 by NESTA (the UK National Endowment for Science, Technology and the Arts) and the Young Foundation. www.youngfoundation.org/files/images/Social_Venturing_Full_PDF.pdf

\(^{17}\)Shares in mainstream companies can be sold or ‘transferred’ to another owner. However, shares in co-operatives and community benefit societies cannot, so ‘withdrawable shares’ can be issued by co-operatives or community benefit societies. These can be withdrawn from investment, subject to the terms and conditions of the society,
Recommendation: Promote community shares, community loans and donations as options for funding community food enterprises

Support organisations should work together with funders to raise awareness and understanding of the different community finance options available, and how to plan for and manage the different options effectively and responsibly. Funders should encourage organisations to consider raising money from their community when assessing the part that their funding plays in the overall financing of the enterprises.

Tax incentives

Tax incentives could provide a carrot to encourage individuals and organisations to make funds available to community food enterprises. Some promising examples are:

- The Enterprise Investment Scheme\textsuperscript{18} which allows tax relief on money invested in new shares in a company.
- The Seed Enterprise Investment Scheme (SEIS), a new scheme specifically designed to increase the appeal of investment in start up businesses. Investors get 50\% tax relief on investments up to £150,000 into a single business over two or more tax years.\textsuperscript{19}

The tax relief earned under these schemes can equate to a significant return for investors. However, they require the investment to remain in the business for a minimum period and some activities such as farming are not eligible. The application of these benefits for the sector should be explored further. The incentive would increase the rate of return for investors, placing community food investment in the mix for other investors seeking an alternative investment.

Recommendation: Champion tax incentives to facilitate more funds being made available for community food enterprises

Support organisations should work together to develop the case for tax incentives for the sector and promote awareness of such schemes to enterprises and investors.

Funders should support the call for such tax incentives to be established. Government should consider ways that the tax system could encourage funding into the community food sector.

Building links with the ‘Slow Money’ movement

Following the financial crisis, there has been increasing interest in the pursuit of a different financial culture that focuses on long-term investment with social and environmental benefits, rather than simply short-term gain. Gervaise Williams, a fund manager and author of Slow Finance\textsuperscript{20} promotes this approach to investment finance and makes comparison with the Slow Food movement.\textsuperscript{21} He draws attention to the social effects of investments, inter-connections across the economy and the benefits of local investment. This approach is not without its critics but it resonates with the community food sector and aspirations for its development.

\textsuperscript{18} Find out more about the Enterprise Investment Scheme at: www.hmrc.gov.uk/eis/
\textsuperscript{19} Find out more about the Seed Enterprise Investment Scheme at: www.seis.co.uk
\textsuperscript{20} Find out more about Gervaise Williams and Slow Finance at: www.slowfinance.com
\textsuperscript{21} Find out more about the Slow Food movement at: www.slowfood.com
A relatively new US-based movement, Slow Money presents experience of an alternative financing model. Slow Money is similar to crowdfunding. A national umbrella organisation oversees local groups who match-make local investors to local businesses. These investors typically invest relatively large amounts ($5,000 and over). Local investment clubs are also being set up to allow smaller investors to get involved. It is worth noting that a similar approach is already well-established in the UK in the form of Investment Clubs organised by the Campaign for Real Ale, through which real ale enthusiasts can support financially viable micro-breweries. This may remove a direct connection between the investor and the enterprise, something which is considered to be valuable in the community food sector. However, it seems to be a model worth further consideration.

Investment clubs that support, for example, community shops or real bread bakeries would seem like an attractive opportunity. At a more ambitious scale, the creation of a new investment fund, based upon ‘slow’ principles and properly regulated could provide investors with an interest in social returns with a route into the sector.

**Recommendation:** Investigate the possibility of establishing investment clubs and Slow Money investment to make more funds available for community food enterprises

Support organisations should explore together the feasibility of investment clubs or Slow Money investment for the community food enterprises they work with.

c) Improving connections between enterprises and funders

So far, this report has dealt separately with the demand and supply side of funding in the community food sector. How can better connections be cultivated between the two?

**Plain English, please!**

Finance is an area where jargon and industry language can make the funding world inaccessible for people. We should strive to remove barriers for people by demystifying finance. Support organisations have a role to play and funders can help by using straightforward language in the documents in their application processes.

**Recommendation: Communicate in plain English**

Support organisations should provide simple guidance on finance, written in language designed to be easily understood.

Funders should ensure that their application documents and other communication materials are free of jargon, made explicitly relevant to the community food sector and are written in plain English.

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22 Crowdfunding or Crowdsourcing is a branch of community finance, where new or existing businesses can solicit for contributions from a large number of stakeholders via an online marketplace. In the majority of cases the contribution is in the form of donations where there is no expected financial return but the donor receives gifts or rewards in return for their contribution.

23 Information about CAMRA investment clubs can be seen at: www.cmic.uk.com
Better understanding of funders’ needs

Most funders make considerable efforts to help enterprises that seek funding. As managers, they have obligations to their fund contributors and a responsibility to assess risk fully and comply with internal procedures.

Often enterprises fail to grasp the motivations, obligations, needs and interests of lenders and other funders. Also, they may lack the necessary communication skills or are too inward-focused to make the compelling case for the funding they seek.

To maximise the prospects of success, the enterprise must show that it will be able to achieve what it promises, whether this is making repayments over the period of the loan or achieving the results that for which a grant was offered.

What puts funders off?

Funders appraise many business plans and enterprises, and they report that their experience of these is very mixed. Enterprises should take note of the common problems that funders identify in applications for funding:

- Lack of clarity and focus
- Little acknowledgment of the potential complexity of a project
- Lack of skills, experience and even commitment of the people involved. No action plan to address any such gaps
- Lack of credible financial figures and little understanding of the figures presented
- No evidence of wider community engagement
- No evidence of demand for the product or service proposed
- Lack of evidence of any learning from similar projects and help in formulating the project
- Lack of honesty about the risk associated with the plan and response if things don’t go to plan
- No evidence of a succession plan for the people at the heart of the organisation.
- Unrealistic timescales for the project
- A business plan document that is long, rambling and fails to provide key information

Recommendation: Help enterprises to understand the needs of funders

Support organisations should provide guidance for enterprises on the needs and interests of funders. They should work together to promote ways of presenting better evidence on the benefits of the sector’s work, which individual enterprises can then use to support their case.

Funders should ensure that their application documents and other communications explain their needs and relate these to the application process.
Bringing enterprises and funders together

There is an opportunity to increase awareness of the grant and loan funds available to those who are seeking funding. Access to information on who lends and to what type of organisation would be helpful particularly during the start-up phase. Support organisations have a role to play in making the information readily available.

Matching services (peer to peer lending). The Breedon Report notes with interest the recent launch of matching services that bring enterprises and funders together, such as Funding Circle, an online loans marketplace. There are questions about the lack of regulatory control but this is an emerging source for finance that may increase in significance over time. This may be an area of interest as the model develops further.

Recommendation: Bring community food enterprises and funders together
Support organisations should work together to provide information on funding options and funders available to different types of community food enterprises.

Promoting finance partnerships

A finance partnership model that provides a package of advice and funding has proven successful for community shops. The Village Core programme, a partnership between the Plunkett Foundation and Co-operative and Community Finance (CCF) brought together sector-specific advisory support, a grant fund and loan fund.

The Plunkett Foundation helped to make the prospective community shop investment ready, a grant fund was made available by the Esmée Fairbairn Foundation, whilst CCF assessed the loan applications. There was a requirement for match-funding by the enterprise, usually raised within the community, and more information on this innovative model of support is in the appendices.

The partnership served as a ‘one-stop shop’ for community groups looking to set up a community shop, and the package approach helped address risk both for the funders and enterprise. The specialist scope gave it focus and nurtured a business-like approach, increasing the prospects of the shop achieving long-term viability. The programme achieved a very impressive 99% success rate, with very few community shops ceasing trading.

The model also provided a vehicle for another organisation to contribute to the community food enterprise sector with a housing association providing funds for enterprises through the partnership in East Anglia.

We believe this model is very promising, and so recommend that support organisations and funders explore the feasibility for partnerships in other areas of the community food sector.

Recommendation: Explore the feasibility of more finance partnerships between funders, support organisations and community food enterprises
Support organisations and funders should work together to explore the opportunity to build finance partnerships focused on combined advice and financing for community food enterprises.

24 Find out more about Funding Circle at: www.fundingcircle.com
Sharing risks and loans

In the energy sector, the set-up costs for green energy production are high and returns are risky. Energy4All, a community enterprise, acts as an expert partner and provides the risk capital in the early phase of development, up to and including the installation of the wind turbines and selling the energy back to the National Grid.

Energy4All provides enterprises with technical support on topics such as planning. The loan is repaid once the projects are producing renewable energy and this money is then recycled by Energy4All to help other projects. Risk is shared by the enterprise and Energy4All.

This model may be applicable in areas of the community food sector where the costs of entry are high, such as where investment in premises or valuable equipment is needed and/or and where technical support services are essential. Possible applications include public sector catering where there are significant hurdles to jump to achieve supplier status, and community-based restaurants and pubs where the cost of the building and equipment may be high.

Recommendation: Explore the feasibility of organisational models to share risk and provide loans

Support organisations and funders should work together to explore the feasibility of the Energy4All model for enterprise areas with high entry cost and technical requirements.

Loan guarantees

The government’s Enterprise Finance Guarantee is intended to help viable smaller businesses get loans. It is in effect a government-funded insurance scheme that reduces the risk that funders will lose money if an enterprise fails. However, the Breedon Report noted that only 23% of smaller businesses were aware of the Enterprise Finance Guarantee,\(^{25}\) so there is work to do to raise the awareness of this opportunity among small businesses. Its application in the community food sector is problematic currently for a number of reasons: the enterprise must still demonstrate the capacity to repay the loan, there is an additional cost for the guarantee and it is the lender who determines if the guarantee is right for the enterprise. The Government should consider how it may be structured to improve the appeal of the sector to lenders.

Recommendation: Extend the Enterprise Finance Guarantee to community food sector loans

Support organisations and funders should work together to encourage government to extend the Enterprise Finance Guarantee for community food enterprises, and consider changes to make it suitable to support this sector.

\(^{25}\) Reference in Breedon Report: SME Finance Monitor Q4 2011, see: [www.sme-finance-monitor.co.uk](http://www.sme-finance-monitor.co.uk)
4. Making change happen: what next?

A good deal more work will need to be done by community food enterprises themselves to improve their prospects of finding the right financial solution when they need it. In an environment where funding is scarce, making your organisation stand out from the crowd to a potential funder will be key. Being investment-ready (see section 3) will not only improve an organisation’s prospects of raising money, it will also make it more likely that it will be sustainable in the longer term and, in so doing, create a virtuous circle which makes it more attractive to funders. The demise of many business support services to help community food enterprises through the process of becoming investment ready, is therefore very worrying.

Their absence reinforces the important role of support organisations, membership networks, funders, local authorities and government in helping community food enterprises to become investment ready, and explore and secure appropriate funding. Therefore, our recommendations throughout this report aim to encourage these organisations to take the necessary action.

As part of a new phase of work to be undertaken from July 2012 to September 2013 – funded by the Big Lottery – Making Local Food Work partners are now planning the following activities:

1. **Local Food Systems**: bringing an enterprise approach to building resilient local food systems in coordination with other local people, organisations and policy-makers.

2. **Enterprise Support**: providing more one-to-one help to community food enterprises

3. **Strengthening Membership Networks**: helping community food membership networks become more resilient via a series of workshops, plus tailored individual assistance, so that the specialist community food network organisers can:
   - learn informally from each other, particularly where individual groups have a specific model or area of activity that others are interested to find out about, including various financial issues dealt with in this report
   - learn more formally from each other and external experts, including on financial matters and how best to help their members to obtain appropriate funding

The two latter items are of particular relevance to this report and could be a vehicle through which some of this report’s recommendations could be put into practice. Sustain: the alliance for better food and farming, will also use this report to inform the development of its work with a range of organisations, through the Making Local Food Work programme and beyond. We hope that the community food sector too will find the recommendations useful. However, the Making Local Food Work partnership, Sustain and the community food sector also need other support organisations, funders and government to do their bit if we are to build a resilient and thriving community food sector for the future. We warmly encourage the engagement of those with an interest and stake in the prosperity of the sector to join in.
5. Sources of useful information

There is useful information and guidance on finance for the community enterprise sector available from the Making Local Food Work programme and well as other sources. These include the reports and links below:

- **Making Local Food Work.** Advice and support for community food enterprises across England is available on [www.makinglocalfoodwork.co.uk](http://www.makinglocalfoodwork.co.uk)

- **Boosting options for business** from BIS, the Department for Business, Innovation & Skills. The report from an industry taskforce on funding for smaller businesses, led by Tim Breeden, was published in March 2012. [www.bis.gov.uk/assets/biscore/enterprise/docs/b/12-669-boosting-finance-options-government-response](http://www.bis.gov.uk/assets/biscore/enterprise/docs/b/12-669-boosting-finance-options-government-response)

- **Lighting the touchpaper** from The Boston Consulting Group and The Young Foundation. This report assesses the market for social investment in England. [www.youngfoundation.org/files/images/owing_the_market_for_social_investment_FINAL.pdf](http://www.youngfoundation.org/files/images/owing_the_market_for_social_investment_FINAL.pdf)

- **Slow finance** by Gervaise Williams (A & C Black). The author outlines a vision for a new investment model for business. Find out more at: [www.slowfinance.com](http://www.slowfinance.com)

- **Simply finance** and **Simply Legal** from Co-operatives UK. These two comprehensive guides to different options for financing a community enterprise, and governance options, produced with support from the Making Local Food Work programme, can be downloaded at: [www.uk.coop/simplyfinance](http://www.uk.coop/simplyfinance) and [www.uk.coop/simplylegal](http://www.uk.coop/simplylegal)

- **Financial management, an introduction for community shops** from The Plunkett Foundation, produced by the Making Local Food Work programme, see: [www.communityshops.coop/node/2084](http://www.communityshops.coop/node/2084)


- **SME Finance Monitor Q4 2011** available on [www.sme-finance-monitor.co.uk](http://www.sme-finance-monitor.co.uk)

- **Small Firms in the Credit Crisis** report from the University of Warwick. A research report using evidence from the UK Survey of SME Finances is available on: [www2.warwick.ac.uk/fac/soc/wbs/research/csme/research/latest/small_firms_in_the_credit_crisis_v3-oct09.pdf](http://www2.warwick.ac.uk/fac/soc/wbs/research/csme/research/latest/small_firms_in_the_credit_crisis_v3-oct09.pdf)

- **Enterprise Finance Guarantee.** Information on this Government scheme to encourage lending is available on [www.bis.gov.uk/efg](http://www.bis.gov.uk/efg)

- **Enterprise Investment Scheme.** Information on this tax relief scheme is available on [www.hmrc.gov.uk/eis/index.htm](http://www.hmrc.gov.uk/eis/index.htm)

- **Seed Enterprise Investment Scheme.** Information on this tax relief scheme is available on [www.hmrc.gov.uk/seedeis/index.htm](http://www.hmrc.gov.uk/seedeis/index.htm)
Other publications for local food enterprises

All of the publications below have been published by Sustain, in partnership with the participating food enterprises, supported by the Making Local Food Work programme. They can be downloaded at: [www.sustainweb.org/publications/](http://www.sustainweb.org/publications/)

<table>
<thead>
<tr>
<th>Healthy Profit: A simple guide to pricing the food you make or grow (2011). The aim of the report is to give community food groups and enterprises the confidence and knowledge to construct and use their own pricing model for food they sell.</th>
<th>Information Technology and small-scale food organisations: Is IT a nightmare? (2011) This paper shares experiences of Sustain in working with community-run enterprises that trade in local food, to develop appropriate IT systems to support their work.</th>
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<td>Growing Manchester(’s) Veg People (2012). A practical guide to how we created an innovative co-operative of food growers and buyers, to help build a fairer and more sustainable food and farming system</td>
<td>The Story of Moss Brook Growers. This manual gives a step by step guide to how Moss Brook Growers set up a mixed horticultural social enterprise from scratch. It will be invaluable reading to anyone looking to grow and sell vegetables.</td>
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<tr>
<td>Growing Communities manual of monitoring and evaluation (2012). Guidance on how to monitor and evaluate a food social enterprise to prove the social, environmental and economic benefits.</td>
<td>Local Food Links: The first 10 years (2010). Written by the former director of the pioneering Local Food Links (in Dorset), Tim Crabtree, this report details what the enterprise has done and what has been learned about adding value to local produce in catering.</td>
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<tr>
<td>Grow a Grocery: A guide to starting and growing a wholefood co-operative (2010). This shares the details of the business model tried and tested by Unicorn Grocery Worker Co-op.</td>
<td>A Growing Trade (2011). A guide for community groups that want to grow and sell food in urban areas, with inspirational case studies of groups earning money from their food growing, lifting the ambitions of those involved.</td>
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Appendix 1: The Breedon Report

Boosting finance options for business: Industry taskforce on finance for smaller businesses

The taskforce, chaired by Tim Breedon, CEO of Legal & General plc, was commissioned by the Government to examine a range of alternative and sustainable finance sources, particularly for small and medium-sized enterprises (SMEs). Its report was published in March 2012.

Bank lending is by far the largest source of external finance currently used by businesses, but the taskforce stated that it believed there is significant potential to develop both the demand and supply of non-bank lending.

The taskforce focused on businesses that are currently unable to use the public capital markets traditionally used mainly by large companies. It recommended a number of measures to help break down the barriers to developing more alternative sources of finance. The main recommendations from the taskforce were:

- Creation of an alternative point of contact to the banks for information about raising finance. Industry should establish a kitemarked Business Finance Advice network.
- A single brand and agency to increase awareness and enhance implementation of the government's range of SME finance programmes drawing on international examples.
- Opening up access to capital markets funding for smaller companies through the creation of a new aggregation agency to bundle SME loans.
- An in-depth feasibility study led by AFME (Finance for Europe, www.afme.eu) is the first step in this process. Programmes should also standardise and promote private placements, mezzanine and export finance, and encourage retail investment.
- Stimulation of retail investors for public bonds.
- Markets for innovative products including mezzanine finance and peer-to-peer lending should be considered for investment by the Government's Business Finance Partnership.
- Reinforcement of prompt payment, led by companies in the Government's supply chain. Support for greater use of invoice discounting to fund payment gaps, including using electronic trading platforms.
- Encouragement for large businesses to utilise supply chain financing to invest in smaller suppliers.
- Government and industry should review the impact of international prudential regulation such as bank and insurance capital rules on the supply of SME finance.

Source: BIS Department for Business, Innovation & Skills website: www.bis.gov.uk/policies/enterprise-and-business-support/access-to-finance/taskforce
Appendix 2: The Village Core programme

The Village Core programme: a finance partnership model

The Village Core programme, a partnership between the Plunkett Foundation and Co-operative and Community Finance (CCF), brought together sector-specific advice, a grant fund and loan fund.

The Plunkett Foundation provided the enterprise advice and a grant fund was made available by the Esmée Fairbairn Foundation, whilst CCF assessed loan applications. There was a requirement for match-funding by the enterprise.

The programme provided a finance package of up to £60,000 for a community shop. At a maximum, the package comprised a £20k loan from CCF, a £20k grant from the Plunkett Foundation, drawn from funds provided by the Esmée Fairbairn Foundation, and £20k raised by the enterprise from within the community.

After six years, almost 90 investments had been made. The programme built up a robust support structure, developed model rules for community investment, established successful partnerships with trade suppliers, new finance sources for additional funding and established a body of expertise. The programme has also significantly raised the profile of the community shop sector, which has grown to 281 shops across the UK.

The Village Core Programme was originally run as a two-year pilot that, following its success, ran for a further four years. The programmes’ conclusion in 2012 was intended as with all of the Plunkett Foundation programmes in order to provide an opportunity to evaluate its effectiveness and to consider the future needs of community shops. The Plunkett Foundation reports that the programme has proved:

- there is a need for dedicated ‘start-up’ programmes
- there is a market for loan finance
- that community enterprise has the ability to be sustainable and profitable following investment.

From the Plunkett Foundation’s experience of this programme, they believe that community enterprises have the capability for raising larger amounts themselves from within the community using community shares, and externally using loan finance. Grant investment is still very much sought after, but this seems best targeted in the start-up phase.

One of the impressive results of Plunkett’s approach was the high success rate of investments, at 99%. It is believed that this largely due to the groundwork with shop groups before the finance package was put in place: every effort was made to ensure that enterprises were ready for the investment before it was agreed.

For more information, visit [www.plunkett.co.uk/whatwedo/core/core.cfm](http://www.plunkett.co.uk/whatwedo/core/core.cfm)
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We wish to thank those who contributed to the discussions that informed this report. However, Sustain takes responsibility for the interpretation and publication of this report, so views and conclusions should not be attributed to the following individuals or organisations:

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