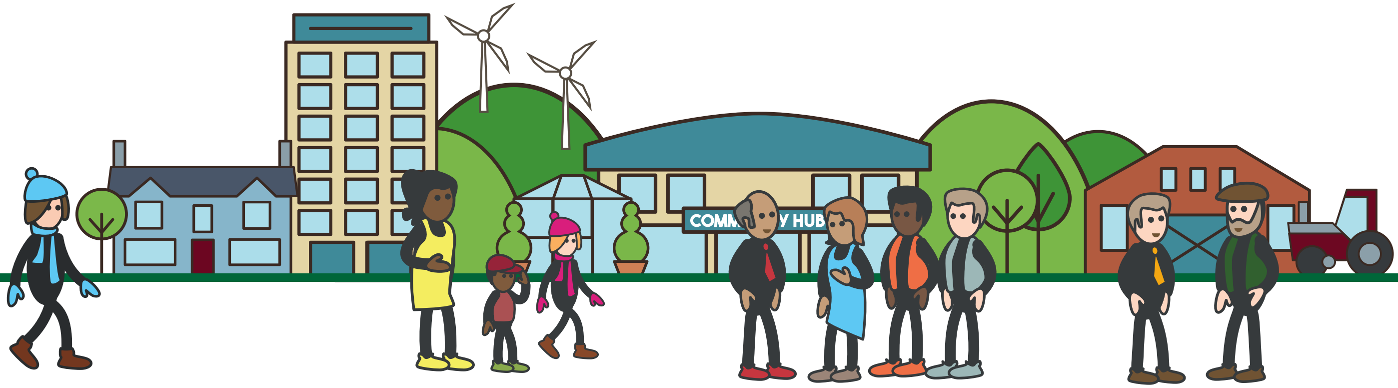
SCOTTISH LAND COMMISSION
COIMISEAN FEARAINN NA H-ALBA



Community Funding

MODELS TABLE

To help make community land ownership a normal option for communities across Scotland access to a range of funding needs to be considered. There is a wide assortment of funding options available to assist communities in the financing of their aspirations.

The table inside provides a brief description of different funding models, highlights the main limitations, and indicates what type of activity the model is most suited to. Which model or combination of models to use in any situation will depend upon the particular circumstances of the community involved and of the development opportunity it is seeking to finance. Individual models are not mutually exclusive and a mix of models are often used by groups for financing projects.

MODELS TABLE

MODEL	DESCRIPTION	LIMITATIONS	SUITABLE FOR
1. Charitable funding	Raising funds from charitable bodies who disburse grants and occasionally loans.	Limited availability beyond registered charities or those who meet fundable activities criteria.	Registered charities and other eligible organisations who align with funders objectives.
2. Philanthropy	Giving of money from a donor (private individual or corporate) to a beneficiary community to pursue social purposes.	Alignment of interests of the donor and the recipient community.	Organisations with social or environmental outcomes which are important to particular philanthropists.
3. Commercial lending	Mainstream lending in the form of overdrafts and loans (secured and unsecured).	Lender usually has security requirements and commercial lending can increase risk for a community group.	Financing projects with a strong income stream and assets to offer as security.
4. Social investment	Investment from institutional investors (state-backed or private) predominantly issued as loan financing.	Interest rates are generally higher than commercial lending.	Communities who do not have assets to secure finance against.
5. Lending in return for guarantee of a social outcome	Lending of money by one body to another in return for the promise of delivering an outcome favoured by the lender.	Willingness to lend or otherwise of a party with surplus funds.	Funding support for communities with land purchase and development.
6. Mutually beneficial financial arrangement between private and community businesses	Generally commercial arrangements between private and commercial businesses such as rental arrangements, loan or trading agreements.	Can restrict the level of profitability achievable by the community through the often, increased cost of finance required by the business providing the finance.	Community landowners with commercial opportunities where they may not have access to finance to take forward or can share risk.
7. Private investment	Funds given from a person classed as a High Net Worth Individual or a Self-Certified Investor to an organisation with financial return through loan interest or dividend.	Risk of having to generate enough income to service the debt over time.	Where investment is difficult to source, an investor may be willing to lend for financial return.
8. Crowdfunding	Raising money from a large number of people who each contribute a small amount without the promise of a financial return.	Often seen as a one off and can rarely be achieved to the same level twice in succession.	Community organisations where they can assess the value of their 'social capital'.

MODEL	DESCRIPTION	LIMITATIONS	SUITABLE FOR
9. Community shares	Enterprises which are established for community benefit sell shares to raise capital for businesses that deliver community benefit. The investors receive limited interest on the money that they lend to the business.	Can only be issued by co-operatives and community benefit societies. Risk of loss of community confidence if a business were to fail and local people were to lose their investment.	Community shares can be used to fund any form of social enterprise.
10. Peer to peer lending	Peer to peer lending is a form of lending which allows individuals to lend directly to other individuals or businesses without the use of a bank. The lending is conducted through specialist lending platforms on the internet.	The amount of borrowing that can be raised will be constrained by the lenders' perceived risk of the organisation and the project.	Alternative source of investment for community landowners.
11. Corporate social responsibility funds	Corporate Social Responsibility covers the actions taken by companies to act responsibly towards their local communities, wider society and the environment over and above that required by law. Corporate Social Responsibility Funds may come from fixed annual payments or a percentage of profits from the company and can also include money raised by company employees acting as volunteers.	Often constrained to the specific community in which a company works and therefore will only be available to a limited number of community groups.	Locally useful source of finance for community groups.
12. Leveraging assets obtained by discounted or nil value transfer	In certain circumstances community landowners obtain assets by way of a discount on the market value or by gift or for a nominal sum of say £1.	The potential liabilities must be carefully considered to ensure that they are fully understood along with the potential related costs, which can increase risks for a community.	Opportunity for greater levels of community land ownership for a minimal or reduced cost to the public sector and the communities themselves.
13. Impact bonds	Impact Bonds are a tool to help facilitate social, environmental, or community based impact through an impact investment model. Social/Community Investors invest in a project at the beginning for a set period of time and receive payments based upon the results of the project.	Models can often be complex and confusing and there are risks associated with communities not taking appropriate legal and financial advice to ensure their governance can appropriately manage a bond offer.	This is an under used mechanism for raising capital that community landowners should explore and, if structured correctly, provide an opportunity for communities and other organisations to invest in each other for fixed periods.

Further Information

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Further information on the models described, and the full report examining the "Range Nature and Applicability of Funding Models to Support Community Land Ownership" can be found on our website

www.landcommission.gov.scot

Current and prospective community land and asset owners may also find further information and advice on ownership via the

Community Ownership Support Service
www.dtascommunityownership.org.uk

Or through representative organisations

Community Land Scotland
www.communitylandscotland.org.uk

Development Trusts Association Scotland
www.dtascot.org.uk

Contact us

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