



Community ownership for woodland management
and creation

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Research report

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I Summary

This research aimed to review community ownership and management of woodland in the UK, with particular emphasis on business and finance models that should be considered to enable an increase in community woodland in future (applicable to both existing woods and creation of new woods).

The history of land use in the UK means community woodland ownership and management is less well embedded in our culture than in many other countries in Europe. However, recent developments such as land reform in Scotland, and proposals under the Localism Bill and for the public forestry estate in England, are generating opportunities for greater community control and involvement in woodland.

Community ownership offers a number of potential benefits, such as increased community confidence and cohesion, and building “natural capital” through creation or management of woods that can provide woodfuel or other ecosystem services. It also carries with it some risks and challenges.

Traditional models of governance and finance for community groups, such as charities which raise funds through grants and donations, may not serve the needs of all community woodland groups in the future owing to increasing competition for shrinking sources of funding. Other models are increasingly gaining currency in the wider world of community asset ownership and social enterprise, offering some potentially innovative solutions that could be applicable to community woodland groups. “Social investment” through, for example, issue of community shares, has been used successfully in other sectors. The challenge is to translate the wealth of experience and information that exists and adapt it for a woodland context.

One of the key challenges is capacity building – arming communities with the skills, knowledge and resources they need to take on woodland. Some help exists, but it is not necessarily all in one place or tailored to woodland groups. There is scope for existing NGOs, singly or in partnership, or for a new body, to fill a gap here.

There are some key questions still to be answered, not least around the actual level of demand among communities for greater involvement in woodland.

2 Definitions

2.1 Community

“Community” can define a group linked by their geographical location (a community of place), or a group linked by common aims and interests (a community of interests), or by common background or characteristics (community of identity). A single community may be more than one of these.

A report for the Department for Communities and Local Government¹ defines ‘community’ as a group ‘that recognise that they have something in common with each other, or who are recognised by others as such’.

2.2 Ownership and management

“Ownership” is, for the purposes of this report, taken to include both freehold and leasehold ownership of assets, where the asset may be a wood, or may even be a limited right related to that wood e.g. the right to cut timber.

“Management” refers to engagement of a community in the day to day running of a wood at any level, whether this be through practical activities such as timber cutting, or active participation in management planning.

3 Historical context to woodland ownership in the UK

During the last century, debate around ownership of assets and resources has taken a polarised view between public (i.e. state) control and private (corporate or individual) ownership. The idea of community ownership, control or management of assets is enjoying a revival under the “Big Society” agenda of the current government, but is nothing new, having appeared in various forms through history from mediaeval commons to the cooperatives and mutual societies that emerged during and after the Industrial Revolution.

For much of history, people enjoyed common rights to the land. Even after the Norman conquest, royal hunting rights were combined with the rights of ordinary people to gather firewood, fruit and fungi, and to use land for grazing, and pannage. These ended with the enclosure of common land, and until the 20th century forests remained largely in private ownership.

The Forestry Commission (FC) was set up in 1919 in response to the need to create a strategic timber reserve, and by the 1940s it was the largest landowner in the country². Towards the end of the 20th century, a rash of privatisations moved many state assets into corporate hands, but the Forestry Commission has remained.

Forest ownership in Britain remains dominated by FC with 35 per cent and private owners with 44 per cent. Compared with many other countries, only a tiny fraction is owned or managed by communities.

Table 1: ownership of woodland in Britain³

Ownership type	Area (ha)	Percentage
Personal	1109779	43.6
Business	173424	10.7
Forestry or timber business	40956	1.6
Charity	90397	3.6
Local Authority	79835	3.1
Other public (not FC)	45310	1.8
Forestry Commission	882151	34.7
Community ownership or common land	4711	0.2
Unidentified	18068	0.7

In Northern Ireland, though woodland cover is much lower than that in Britain, the vast majority is state owned or managed.

4 Community woodland in the UK – current situation and emerging opportunities

Community woods – those managed to some extent by a community group – are found all over the world. Many European countries have a stronger tradition of community ownership than the UK. In France, there are 11,000 forest communes – 30 per cent of all communes in the country – and they own around 3 million hectares of forest which is about 20 per cent of the total forest area of France. In Germany, rural communities have had forests for centuries, covered by Forest Laws and managed by foresters on behalf of local governments, and where timber and fuel are strong motivations.

The UK is typified by historical inequities in land use and great variation in both the woodland resource and the population⁴. Various sources suggest that there are at least 600 community woods in Great Britain⁵, but actually it is difficult to get a clear picture of the number of groups and the way they operate. Tenure is complex and there are differences between the countries, particularly with recent devolution and land reform. A variety of both formal and informal arrangements have evolved for management, partnership, leasing and ownership of woodland.

In Scotland, the Land Reform Act 2003 aimed to enable rural communities to take ownership of land where they live and work. The National Forest Land Scheme⁶ gives community organisations, recognised non-governmental organisations (NGOs), and/or appropriate housing bodies the opportunity to buy or lease National Forest Land (i.e. Forestry Commission) where they can provide increased public benefits. Uptake of these opportunities has been relatively limited. By 2010 there were 120 applications to register community interest in land by 68 community groups under the Land Reform Act right to buy, but only seven purchases in total⁷. By 2009, five communities had successfully completed applications under the National Forest Land Scheme⁸.

However, there are many other models of community ownership and management that have evolved through negotiations between local groups, funders and landowners. The Community Woodland Association, established in 2003, has 160 member groups.

In Wales, community forestry has until recently largely revolved around encouraging participation in forest management decision making, with state ownership retained. As a result partnership is still more common than ownership, though there are community groups with a diversity of structures from co-operatives and companies limited by guarantee to charities and trusts, with tenure arrangements from ownership to simple verbal agreements with landowners. The umbrella group Llais y Goedwig was set up in 2008 with 24 full members. The EU-funded Cydcoed programme between 2001 and 2008 aimed to use woodland as a way of empowering and involving communities, and has resulted in more active engagement.

In England, tenure is also varied – a survey of a sample of 22 groups found that less than a quarter owned woods themselves, with the remainder leased from or managed by the group under agreement with local authorities, NGOs like the Woodland Trust, Forestry Commission, and private landowners. The 12 Community Forests were set up in 1991, covering distinct peri-urban areas and with the function, among many others, of supporting development of community woodland. In 2002, the Woodland Trust set up the Community Woodland Network, aiming to provide advice and a forum for networking for community groups.

The emerging localism agenda gives scope for changes in governance of forests, and, if handled well, could generate real opportunities for both communities and woodland. The recent consultation over England's public forest estate provoked passionate opposition from the public, but included a nod towards more community control that was enthusiastically received by those already working in

community forestry in the UK⁹. While the consultation has been dropped, the independent panel established to review forestry in England will continue to look at governance.

The Localism Bill¹⁰, covering England and Wales, and currently the subject of a consultation, currently the subject of a consultation which closes in early May 2011, proposed a Community Right to Buy, whereby local amenities and buildings can be nominated for listing by the local authority as assets of community value. If these come up for sale, communities will have extra time to prepare a bid to take them over. The Bill also includes a Community Right to Challenge, where voluntary and community groups, parish councils and local authority staff will be able to challenge to take over the running of local public services.

5 Potential benefits and challenges of community ownership and management

In support of the “Big Society”, David Cameron has cited Elinor Ostrom’s work on exploitation and provision of common pool resources such as forests, which has shown that self-organised cooperative action can succeed where top-down solutions are ineffective¹¹. The Quirk review¹² into community ownership and management of assets, claims it can bring the following potential benefits:

- It can promote community cohesion, build community confidence and a sense of worth
- It may increase income in the community by creating local jobs
- The users are better able to plan for the future
- New use of an existing facility might restore confidence in the place, restore viability of local businesses and restore land values

While this review was aimed at assets such as buildings and services, these benefits which fall under the heading of “social capital” might equally well accrue with community woodland. A preliminary evaluation¹³ of community-based land reform in Scotland notes that:

“Whilst the direct effects may be small, as measurable by standard socio-economic indicators such as employment, the less quantifiable effects may be very significant in building social capital.”

A study of community groups that had acquired woodland through the National Forest Land Scheme in Scotland in Dervaig and Laggan¹⁴ found there was evidence of gains in social capital, and capacity, within communities that had participated in the National Forest Land Scheme with significant opportunities to change the way the community operated, generate new experiences and new financial power. The study also concluded that ownership can catalyse other local activities by changing perceptions of what is possible – community members see more potential for leasing to local business, opening up access, converting local heating systems to woodfuel, and hosting Forest School, when they own the forest, even though all are possible under public ownership.

Greater control over management of local woodland also offers communities the chance to create their own “natural capital”. Woodland provides a whole range of benefits, from fuel and timber for local markets, to water quality and flood management, to improving the aesthetic quality of local surroundings, recreational and educational facilities, and jobs. Initiatives such as Transition Towns¹⁵ have led to increasing numbers of local groups¹⁶ seeking to create their own sources of renewable energy for a lower carbon future, with production of their own woodfuel one option.

However, it needs to be taken into account that, in the current climate of public sector cuts, communities are increasingly under pressure to take on “assets” that they may view more as liabilities. The drive for community ownership of all types of assets is coming from the top down as much, if not more than, from the communities themselves. There is a need for more evaluation of the risks and difficulties associated and consideration of the capacity within any one community to take on and manage a range of different assets. In particular more evidence is needed of the demand among communities to own or manage woodland, and if so at what level.

Evidence on the broad issue of community asset transfer highlights concerns about liabilities, impositions of rules by local authorities and the dilapidated condition of some assets. Community groups may also become distracted from their main work because of the technical and regulatory burden of asset management. There may be a lack of technical support and advisors¹⁷. The Scottish experience of forest ownership¹⁸ showed that communities can become frustrated at the length of time it takes for practical benefits to appear. Capacity building is a particular issue, with skills most needed in the area of business management and fundraising, and the need for formal organisation

and accountability was clear. Networks to enable knowledge sharing and facilitation of learning from experience are also needed.

To facilitate communities taking a more active role in the management and governance of woodland, a number of questions need to be considered:

- What are the advantages and disadvantages of different types of tenure?
- What legal forms are available for such groups and which are the most appropriate?
- What sources of funding are available, and what do communities need to do in order to access them?
- What other resources do communities need (knowledge, skills, time) and who can help them to acquire these?

6 Tenure

Community woods already exist across the UK with a wide range of tenure arrangements and varying degrees of participation in management. Often these have evolved according to individual circumstances and local history, but new groups will need to make decisions on the arrangement that is best for them according to their aims and requirements.

There is a helpful parallel in Community Supported Agriculture (CSA), which has become more established in the last ten years and is about communities sharing the risks and rewards of agriculture. The CSA might be just the sales and distribution business with no ownership or control over the farming business or land. Or the CSA may own the land which is rented to a tenant farmer. Similarly, a community woodland group could own the wood but lease it to a management company or employ a contractor or consultant to manage it on their behalf, or it could have control only over management of the wood, or sale and distribution of products, or both.

It is important to remember that every group is different, and that full freehold ownership is not always the ideal tenure arrangement¹⁹.

Case study – ownership

Heaton Woods Trust

Heaton Woods Trust, Bradford, was formed 30 years ago when residents bought land in danger of being developed, and planted it with trees. It was established as a Registered Charity in 1978 as an offshoot of Heaton Township Association. Its main aim is to preserve and replant Heaton Woods, the majority of which is now in the ownership of either Bradford Council or The Trust. The group is funded through sales of wood chippings and logs, grants and membership

Case study – management and fundraising

Friends of Chopwell Wood, Rowlands Gill, Tyne and Wear

This group was established in 1991 to campaign for Woodland Park status to guard against possible sell off of this 360ha FC wood on the edge of Gateshead. While FC supports the group, the FOCW also raise money for some management works within the wood. It contributes to the Forest Design Plan, develops educational resources and encourages sensitive use of the wood. Over the years the group has paid for conservation work, path repairs and drainage improvements, access facilities, sculptures, litter clearance, and forest festivals, history and heritage works.

7 Governance

Any group may join together informally to achieve common aims, provided those aims are legal. However, a more formal structure is usually advisable in order to:

- Ensure clarity of purpose understood by everyone
- Protect individuals from liability and spread risk between members
- Enable the group to enter into contracts on behalf of the organisation
- Balance differing views within the group

For example, in the Localism Bill, the Government proposes to restrict eligibility to express an intention to bid for listed assets to parish councils or groups with a local connection which satisfy some basic governance requirements. Groups will need to meet at least two of the following:

- That they are incorporated
- They have charitable status
- They have an asset lock in another legal form
- They include in their constitution that they are non-profit distributing

7.1 Incorporation

Incorporation means creating a legal identity for the organisation which is distinct from its members – a “corporate body”.²⁰

Advantages of incorporation include

- Limited liability – members of a governing body of unincorporated organisations have unlimited, personal liability and usually that liability is joint and several. If the organisation fails to meet its debts, the members could be liable to meet them, and could face bankruptcy. All members of a corporate body are protected by limited liability. They commit to paying a fixed amount if the organisation is wound up with outstanding debts. In a company limited by guarantee (see below) this is usually only £1 but where liability is limited by shares members can lose the value of all their shares.
- Owning property and entering into contracts – an unincorporated organisation does not technically exist in law so cannot own property or enter into contracts. All property will be owned by one or more members of the organisation and one or more members will be personally responsible for any contracts.
- Equality of risk – equality of personal risk is almost impossible to achieve in an unincorporated organisation.
- Recognition by financial institutions and investors – many banks and institutions will insist on incorporation before providing loan finance.
- Availability of equity finance – equity finance is only available to certain types of incorporated organisations.

Incorporation can bring with it costs, increased administration, and loss of privacy.

In deciding whether or not to incorporate an organisation must consider the level of risk the organisation will take on, whether it employs staff and enters into contracts, and has a high financial turnover. Also, funders may only enter into funding contracts with incorporated organisations.

For communities wishing to take on ownership and management of woodland, incorporation will generally be advised.

7.2 Legal forms and finance

There are a number of legal forms available to community organisations, and a number of sources of finance. The two need to be looked at together, since the legal form affects the kind of finance a group might be able to opt for, and vice versa.

The “best model” for any particular group will be the one that most effectively meets their needs at any point in time. Since all groups will have different objectives and circumstances, it is difficult to make general prescriptions about which finance and business models are best. What is key is the importance of research, planning and professional advice before an organisation chooses a model. The most appropriate model may also change as the organisation and its activities develop²¹.

Table 2 and 3 show the main legal forms currently available to community organisations and social enterprises in the UK, and the main types of available finance, with key features, benefits and drawbacks.

Table 2: The main legal forms currently available to community organisations and social enterprises in the UK.

Legal form	Key feature of ownership and governance	Possibility of charitable status	Inclusion of an “asset lock”	Powers to borrow	Powers to issue shares or bonds	Availability across the UK
Company limited by guarantee	Common and flexible legal structure, similar to normal private company used by many NFP organisations Members cannot own shares but are guarantors, providing a nominal guarantee, often £1, providing limited liability. Regulated by Companies House.	Yes, provided profits are not distributed to members	Yes, but not permanent, could be written into company articles, but could also be amended by shareholders	Yes	No – shares Yes - bonds	Yes, but some legal differences
Scottish Charitable Incorporated Organisation (SCIO) from 1 April 2011	A new legal structure that provides similar powers, limited liability and flexibility as a company limited by guarantee, but with charitable status built in and regulated by one organisation only, the office of the Scottish Charity Regulator (OCSR)	Yes Automatic	Yes	Yes	No- shares Yes – bonds	Scotland only
Community Interest Company (CIC)	A relatively new form of private company best suited to social enterprises providing a community benefit and which provides an alternative to charitable status. CICs can take any form of private company (limited by guarantee, limited by private shares or a plc) but have additional features. They must pass a community interest test and are protected by an asset lock on all assets, including a	No	Yes	Yes	Yes – shares Yes – bonds Dividends can be paid if limited by shared but capped at 20 per cent of 35 per cent of gross profits whichever is lower. Some limits on how shares are	Yes

	cap on any dividend payments. The CIC model allows a broad range of purposes, provides limited liability and allows directors to be salaried. Regulated by Companies House and the CIC regulator.				redeemed.	
Trust	Trustees own and manage assets for the benefit of others according to the agreed aims of the Trust, but are personally liable as Trusts are unincorporated organisations. Often used where there is a fund of money to be given away. Regulated by the Charities Commission	Yes	Yes, if written into the Trust's deed	Yes	No- shares Yes – bonds	Yes, but some legal differences
Industrial and Provident Society (bona fide cooperative) for profit	Trading organisations run for the mutual benefit of their members, with profits mainly reinvested in the business. Profit sharing among members is possible but limited and must be equitable. There is a maximum investment in shares per person of £20k, all withdrawable. One member, one vote, regardless of size of shareholding. Limited liability. Registered by the Financial Services Authority.	Unlikely	Yes, but not permanent. Could be written into articles, but could be amended by members	Yes	Yes – shares Yes – bonds Shares and bonds can be offered to the public and are withdrawable. Limited dividends and interest can be paid	Yes, but some legal differences
Industrial and Provident Society (Community Benefit Society or BenCom) not for profit	Trading organisation run for the benefit of non-members with no profit distribution allowed. There is a maximum investment in shares per person of £20k, all withdrawable. One member, one vote, regardless of size of shareholding. Limited liability. Registered by the Financial Services Authority.	Yes	Yes	Yes	Yes – shares Yes – bonds Shares and bonds can be offered to the public. Shares can also be withdrawn by members. Interest can be paid on shares but not dividends.	Yes, but some legal differences

Table 3: Main types of available finance in the UK for community organisations and social enterprises

Type of finance	Key features, benefits and risks	Applicability for capital or revenue expenditure	Legal restrictions on the type of organisation able to benefit
Private trading income			
Earned private income from trading	Income can be earned through trading, either through an asset (eg hiring out premises) or through selling goods and services. One organisation may rely on one trading activity	Income can be used for any purpose	No, few restrictions

	<p>or several, and the income generated may provide subsidy to other parts of the organisation.</p> <p>The level of income depends on the organisation's ability to compete in the appropriate market and the size and health of those markets. This may vary geographically.</p> <p>The ability to generate some degree of surplus is essential if loans or equity is to be sought.</p>		
Public sector funding			
Public sector grant funding or other subsidy	<p>Very common for many organisations, covering wide range of purposes, with the nature and significance of objectives and conditions varying widely but with no need for any repayment. Public funding tends to come from either ongoing statutory budgets or from time limited programmes eg UK area based regeneration programmes. Capital grants can require time consuming bidding processes. Revenue grants are often annual in nature rarely with long term security of income</p>	Funding can provide for either, dependent on the nature of the subsidy	No, few restrictions
Peppercorn rents from public sector landlords	<p>The provision of land and/or property at a peppercorn rent by a public sector landlord is an important source of support for many community organisations as it can save a significant amount of money. Such arrangements may be in place for years.</p>	Reduces revenue costs	No
Public sector commissioning of services	<p>Can provide some security of income, with contracts generally for 103 years. Some contracts will cover core organisational costs but some do not. The nature of the services provided is defined by the commissioning body. If public contracting becomes a high proportion of an organisation's income it could compromise its independence and make it over-reliant on the fortunes of the public sector</p>	Mainly provides for revenue expenditure	Generally few, but larger and more established organisations are likely to be commissioned.
National lottery funding	<p>Distributes significant amounts of time-limited grant funding each year through a wide range or programmes. Much is capital. Most are competitive.</p>	Mainly capital but some revenue.	No, few restrictions provided a social purpose can be demonstrated.
Charitable funding			
Charitable grants from foundations etc	<p>Common form of funding providing both small and large grants from wide range of institutions varying in scale from local to international. Some funds very flexible, some prescriptive rarely any long term security of income</p>	Can provide for either, depending on nature of grant	Few restrictions though often a preference for organisations with charitable status
Charitable donations from individuals	<p>Common form for many charities, seeking public financial support. Includes donations and legacies, more effective for some types of charity. Requires investment in fundraising. Level of income depends on profile, ability to</p>	Income can be used for any purpose	Few restrictions but primarily for organisations with charitable status

	compete and can be influenced by wider economic trends		
Large endowments from philanthropists/foundations	Significant endowments and major gifts from individual philanthropists or charitable foundations can provide an asset base for long term development of an organisation whether bequeathing land and property or a financial endowment. The asset usually provides for a sustainable income stream.	Gift is usually for a specific purpose, defined by the giver.	No, but tax incentives mean that recipients are generally charities.
Loans and equity finance			
Loans Overdraft Unsecured loan Secured loan (mortgage) Patient capital (long term loan)	Short term overdrafts are relatively easy to acquire, to cover cash flow issues. Organisations must be able to generate a surplus to repay a loan and must be able to demonstrate this to the lender. Larger and longer term loans are easier to acquire if there is an asset to secure the loan against. Unsecured loans are more difficult to acquire, requiring the organisation to demonstrate stability and reasonable financial returns	Short term loans can be used to bridge cash flow issues but longer term loans are likely to be for capital expenditure	No, few restrictions.
Equity (shares) and Quasi-Equity Individuals/community Investors/private funds	Relatively small and new area of social finance. Only CICs and cooperatives can offer shares to the public and co-ops have a £20k limit to the amount any individual can invest. The number of financial intermediaries willing and able to invest is growing. Capital might be provided for a range of purposes,. Currently practice falls into three main areas: Local community led IPSs raising modest amounts of funds from local communities to fund local projects National investment funds raising capital from a mix of sources to invest in social enterprises seeking both social and financial returns More broadly there is a growing number of socially responsible businesses seeking to do more business in a more socially responsible way Some of the larger charitable foundations and trust are increasingly making equity investments in exchange for both financial and social returns and could become a greater source of investment finance in future	Primarily for capital investment	Only CIC and IPSs can issue shares (in addition to private companies)
Bonds	Small and new area of social finance. A very small number of bond issues are raising finance to support charities and social enterprises. Many types of organisations are able to issue bonds providing they meet certain conditions but nearly all organisations can benefit from funds raised through bonds issues by others	Primarily for capital investment	No
Social Impact bonds	A new model of “Social Impact bond” (SIB) has been developed with only one example currently in existence in the UK but the nature of investment is more akin to equity, given the inherent risks	Primarily to fund service delivery	No

In the past many community woodland groups would have set up as charities or trusts, relying on donations and grants to fund their work. However, there is increasing competition for grant aid. In Scotland, groups have had difficulty securing grant funding to purchase land despite the opportunities under the Land Reform Act^{22, 23}.

The reduction in the availability of grant finance means that groups may need recourse to alternative sources to fund purchase of land or woodland and capital investment in equipment. Loan and bond finance is available from institutions and to a lesser extent individuals, but the organisation is committed to generating a fixed amount of profit to pay interest and refund capital over the medium to long term. The bond would be secured on the value of the land, which might put the land under unnecessary risk.

Equity investment is more flexible, longer term, and connects the investor to the enterprise, sharing in the risks and rewards. Equity investment can also be used as leverage to pull in loan finance from banks and traditional lenders.

For groups with a social or environmental purpose (social enterprises) conventional share capital structures which attribute all the wealth of the enterprise to shareholders with a one-share-one-vote system may not be appropriate – and may not attract investors easily. Community investment may be more appropriate.

The area of social investment and community investment has developed in recent years, enabled by government, in recognition that mainstream investment markets and business support services do not currently serve community organisations and social enterprises well. It is still modest in comparison with funds raised through grants, donations and bank loans.

Community Shares

Community Shares is a Government-funded research project looking at new ways for social enterprises to attract finance. The project focuses on raising money from communities through equity or bonds. Investors can get their money back, and may receive interest or dividends. Community investment is defined as sale of more than £10k of shares or bonds to communities of at least 20 people to finance ventures serving a community purpose. This could be used to finance any initiative that can generate a sufficiently attractive financial and social return on the investment e.g. community farms, community facilities, and low carbon initiatives. Community shares help to engage communities in an organisation's work as well as raise capital funding.

From 1999 to the present there has been a burst of new organisations using community investment, many of which are IPSs, most popularly renewable energy initiatives, community owned shops or community finance.

The project makes the case for community investment as follows: "Most communities face a growing number of problems, ranging from profound issues, such as climate change, to the more mundane problems associated with a lack of funding for community facilities. It is becoming increasingly unlikely that all these needs can be met through government spending or charitable sources, and there is a limit on what people can afford to donate to good causes. Community investment enables people to invest in good causes, using some of their long-term savings to support community initiatives. Even in communities where few people currently save, community shares and bonds might provide an incentive to invest and save for the longer term."

The motivations of investors are not always financial. Research by Wessex Community Assets into investors in community share schemes identified four categories of investor:

- The Local Community investor – who want to create or maintain local facilities for social return.
- The Community of Interest investor – wants to create or maintain facilities they have an interest in for social return
- Social investor – institution of individual interested in receiving a blend of social and financial return.
- Ethical investor – individual with no obvious connection to a society other than approving of its aims.

The most important benefit to an investor was that the organisation has social purpose, followed by providing environmental benefit. Receiving a good financial return was not seen as important.

The Phone Co-op is a current example of how to harness the combined financial powers of whole communities, with large amounts of capital being raised in relatively small amounts from each member. In 2007, its membership of over 6,700 people had collectively invested over £1.6m, an average member investment of £237, although the median investment was only £30.

For organisations pursuing charitable objects, and which are not overly reliant upon trade, then a charitable form may still be most appropriate, even though it will only be able to raise money through grants and giving, or community investment in the form of bonds. Charities issuing bonds and other forms of debt, are exempt from regulation under the Financial Services and Markets Act. However, before embarking on raising capital through community bonds, charities should consider the impact this type of financial promotion may have on their voluntary fundraising activities. Encouraging donors to become investors might have a lasting impact on their relationship with the charity. The problem with bonds, and all other forms of debt, is that eventually the capital has to be repaid. This means that the charity has to behave like a business and generate sufficient profit to repay capital. The only alternative is for the charity to find donors willing to pay off its debts to bondholders. In this sense, bond finance can only ever be a temporary solution to the funding needs of charities.

For organisations that derive income through trade, and which also have clear community or social objectives, then either an IPS or CIC form will be most appropriate. Both these forms can be used to issue shares or bonds, and both forms support a profit-making business model.

The choice between the IPS and CIC forms depends on the relative merits of their special features to the organisation concerned. IPSs have four unique attributes: member democracy, withdrawable share capital, a limit on individual shareholdings, and a flexible limit on the interest paid on share capital. None of these features are available to CICs. However, all types of CIC have an asset lock, designed to ensure the asset is used for the benefit of the community, whereas only IPS community benefit societies have the scope to adopt this feature. CICs are generally cheaper to register and maintain as a legal form than IPSs. However, unlike IPSs, CICs are not exempt from regulation when offering shares or bonds to the public, adding significantly to the cost of raising capital this way.

To date, the IPS form has proved far more popular than CIC with organisations raising money through community investment. The lack of exemption from regulation under the Financial Services and Markets Act is probably a major factor. Other factors may include the rigid controls on shareholder dividends, and concerns that a minority of shareholders could have majority control.

Some organisations have used other legal forms, such as the public limited company or the company limited by guarantee, although these forms offer no special provisions to protect the interests of the community. To register a public limited company it is necessary to have at least £50,000 as an initial investment in share capital. Any public offering of shares or bonds will have to be fully authorised, which is very expensive. Consequently, the plc form has only been used by organisations making larger initial public offerings of share capital, in the range of £1m to £10m.

The same sorts of limitations apply to private companies limited by shares. Although private companies limited by shares are less expensive to establish and maintain than public limited companies, they still have to meet the same regulatory requirements concerning financial promotions. Companies limited by guarantee cannot issue share capital, but can issue bonds, subject to the same regulations governing financial promotions, unless the company is also a charity.

A key question for community woodland groups is therefore whether they wish to pursue purely charitable objectives or to trade as a social enterprise. Examples of the latter exist: Hill Holt Wood in Lincolnshire is a very successful environmental social enterprise. Abriachan Forest Trust, in Scotland, is a charity and company limited by guarantee, which bought up a FC wood and has achieved rural regeneration and job creation. While both have been highly successful, they are unlikely to be replicable everywhere.

Case study - Abriachan Forest Trust

Abriachan is a scattered rural community of about 140 people set high above the shores of Loch Ness in the Highlands of Scotland. Abriachan Forest Trust was established in 1998 as a company limited by guarantee and a charity to take ownership of a 534 hectare forest acquired from Forest Enterprise and manage it long-term.

Now, the woodland is managed with objectives of improving the environment, creating local jobs, and encouraging recreation and enjoyment. Timber is harvested and the income is ploughed back into the Trust's other activities. Work is carried out to improve biodiversity. There is a Forest School, and a network of paths, easy access trails and mountain biking routes has been created. Activity programmes are offered that are designed to better the health and well-being of participants.

The project employs six people in the forest, in administration, education and recreation, and forestry operations. In 2007 it won the Multipurpose Woodland category in Scotland's Finest Woodlands Awards and the Nancy Ovens' Award for outstanding contribution to community play.

Case study – Hill Holt Wood

Hill Holt Wood, Lincolnshire, a 34-acre site purchased in 1995 by Nigel and Karen Lowthrop, is managed as an environmental social enterprise, controlled by a voluntary board of directors representing local communities and councils as well as local and national business. The aims are to:

- Maintain the ancient wood for use by the public
- Teach and develop young people to help them realise their potential
- Create products and services valuable to the community
- Promote the cause of environmentalism and sustainability.

Hill Holt educates and trains at-risk youth who have been excluded from school, giving them the lasting benefits of education, practical skills, the ability to work in a team, increased confidence and time spent outdoors. The training skills include eco-construction, the manufacture of wooden furniture and the installation of water purification systems.

In 2007, the business had a turnover of over £500k and a surplus of £100k which is re-invested in the business and its staff of 20. Hill Holt Wood approaches the management of the woodland both in the traditional sense, as a habitat to be managed, but also utilises the natural resource in its main goals of training and education.

8 Capacity building and support

Practitioners in the field of community forestry have highlighted the need for knowledge and skills among communities, if community ownership and management is to increase²⁴. Experience from Scotland demonstrates a need for financial and technical support throughout the process of communities exercising the right to buy. The need for networking between groups to share knowledge and experience has been recognised²⁵ in relation to the community right to buy in Scotland.

The majority of communities in the UK are distanced from woodland issues other than that of recreation and access. Concerns over potential loss of access lay behind much of the publicity surrounding the consultation on disposal of the public forest estate in England. Most people in the UK are as divorced from the practicalities of timber and wood production and processing as they are from the detailed mechanics of food production and farming.

While some community groups may wish to develop their knowledge and understanding in this area and carry out practical woodland management, others will not. They may wish to employ contractors or dedicated staff to carry out this work.

Equally, groups may be daunted by the process of land acquisition or lease agreements, and the associated business of setting up an incorporated body with an appropriate legal form, and raising finance. Capacity building may therefore be needed in the fields of woodland management and forestry, business planning and management, financial management, and contract management.

Government agencies, NGOs and other organisations with expertise in these areas potentially have a role to play in facilitating communities taking on woodland sites. There are a number of forms this could take, ranging from provision of advice at one end of the spectrum, to acting as a coordinating or umbrella organisation or even broker for finance at the other.

The Community Woodland Association²⁶ in Scotland and Llais y Goedwig in Wales²⁷ are organisations that provide advice and run events to help community groups build knowledge and capacity. In England, the Community Woodland Network²⁸ has a similar function, though less active in recent years. The Small Woods Association runs the Woodland Initiatives Register, a searchable database of UK groups, projects and organisations. The success of the Green Light Trust, first established in East Anglia, demonstrates the value of hands-on support for communities wishing to create their own woodland or green space.

Case Study - The Green Light Trust

The Green Light Trust helps communities to establish and maintain wild spaces including woodland aiming to build community spirit, provide environmental education for local children, improve biodiversity, and exchange knowledge and build friendships with communities overseas. The trust works through developing connections between schools, businesses and communities.

To date it has achieved the following:

- 58 urban and rural projects in eight counties
- 70 hectares of land under community management
- Over 1000 volunteers
- Over 3000 children in continual school programmes
- Many uncommon and endangered species encouraged to colonise woods and wild spaces created

There is a wealth of information and advice available for community groups and social enterprises, through organisations such as the Social Enterprise Coalition²⁹, mainstream business support organisations like Business Link, but also a growing sector of specialist social venture intermediaries, of which there are five main types³⁰:

- Finance intermediaries, who bring in finance to social enterprises and tailor it to their needs. These include, for example, social venture capital funds of venture philanthropy funds like Big Issue Invest, specialist social banks like Triodos Bank, and social lenders like Adventure Capital Fund.
- People, networks and expertise intermediaries, focused on building the skills and capacity of social enterprises through training, consultancy etc. eg Cooperatives UK
- Marketing and distribution intermediaries, which provide advice or services in bringing social enterprises and customers together.
- Innovation intermediaries, which focus on developing and launching innovative ventures, sometimes supported by grants or challenge funds.
- Monitors, which undertake research and provide information to the market.

While none of these are specifically aimed at community woodland groups, there is potential to explore further the idea of establishing an intermediary that could provide tailored support, advice, finance, and even woodland management services, to groups wishing to launch a woodland venture. Organisations already exist who might take on this role, either singly or preferably in partnership, or a new body could be established.

An example from the renewable energy sector is Energy4All, which was established in 2002 with the purpose of facilitating the ownership and operation of renewable energy projects (wind farms) by local or community-based co-operatives. It has successfully helped a number of co-operatives to make regulated offers of community shares. Energy4 All is an IPS owned by the co-operatives that it creates – in effect, it acts as an umbrella organisation for other fledgling wind farm co-operatives.

The Plunkett Foundation has produced franchise models for agriculture, identifying the agricultural marketing co-operatives of the future and building replicable models of them to enable people in rural areas to identify these new business opportunities quickly, and to know how to set up marketing co-operatives to exploit these opportunities effectively. The franchise models contain all the guidance and information needed to set up a successful co-operative business in specified market sectors, but they are available free of charge to the user. Again, a similar idea could be pursued in relation to community woodland.

9 Conclusions and further research needs

Community ownership of woodland, both existing woods and creation of new woods, offers opportunities for development of both social and natural capital.

Existing community woodland groups in the UK demonstrate a wide variety of tenure and structure. Traditional models such as charities and trusts are unlikely to be sufficient to meet the needs of all community groups into the future given increasing competition for grants and charitable donations. However, there is still a need to encompass and cater for the diversity of communities' objectives in relation to woodland, and this will mean flexibility over tenure arrangements, finance and governance.

This is a complex area. Clear and high quality information and advice tailored to the needs of community woodland groups would help. There would be advantages in a one-stop-shop for advice, information and support at least at a country level.

While organisations such as the Community Woodland Association and Llais y Goedwig currently exist to provide advice and information, and opportunities for groups to share information and network, there may be scope to extend provision with a finance intermediary – an umbrella organisation that could raise money through social investment, for example, for distribution to groups, or that could create replicable model for use by groups as Energy4All does in the renewable energy sector. In England, there is a less obvious single organisation providing advice and information, with the Woodland Trust's Community Woodland Network and Small Woods Association's Woodland Initiatives Network both serving some of this function.

There are a number of areas where further research would be helpful:

- The transfer of assets to communities seems to be largely driven by government, yet community woodland ownership is unlikely to be successful unless it develops in response to a genuine desire on the part of the community. To what extent is there a demand among communities for woodland ownership and management, what are their motivations, and what level of engagement would they prefer?
- Given an appetite for community ownership, how could more community woodland groups be encouraged towards a business model that includes more enterprise and income generation, which would enable them to be self-sustaining in the future?
- What are the respective roles of the public sector, private sector and NGOs in facilitating and supporting communities in a shift to greater community engagement in and control of woodland.

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