DRAFT FOR REVIEW - V1

The Community Finance Toolkit

COMMUNITY FINANCE TOOLKIT · CONTENTS OF 6 BRIEFINGS

A set of six short, independent, fully-sourced briefings on how community business lending works in the UK: the tax relief (CITR), the guarantee (GGS), the recycling facility (CEF), and the routes by which capital reaches community lenders. Each briefing is one topic, plainly explained and referenced to primary sources, for CDFIs, investors and policymakers.

Key points for the Taskforce

These briefings describe how community business lending in the UK actually works. Read together, they point to a single conclusion, and to two things the Community Finance Partnership Taskforce is well placed to act on.

1. **The population is small and nameable.** Around 29 community lenders sit in the CITR, GGS and CEF status matrix in Briefing #1: 25 offer CITR, 19 are GGS-accredited, and only 8 have reached CEF. This is a defined set of organisations, not an open market.
2. **They are structurally constrained.** Most are companies limited by guarantee or societies that cannot raise equity, so they depend on debt from a narrow set of routes: bank lending, dormant assets via Better Society Capital, CIEF, CEF and CITR-carrying investment. The capital is largely public, public-adjacent, or ordinary commercial debt.
3. **Scaling is gated by time, volume and discretion.** Reaching CEF needs GGS accreditation plus years of loss-history data that cannot be manufactured; CITR fundraising is capped; and the British Business Bank applies discretion to its own thresholds.
4. **Ambition runs ahead of current capacity.** Headline government figures, such as the £1bn-over-five-years and £500m private-investor CEF ambitions and the £6.5bn Growth Guarantee Scheme uplift, are large against a sector whose identifiable inflows are in the low hundreds of millions and whose eligible population is a couple of dozen bodies.
5. **Private capital has no clear, transparent entry point.** Routes exist but differ in liquidity, tax treatment and transparency, and where private money can connect, and at what price, is poorly understood.

Two things this implies for the Taskforce

First, maximise support for the current players so they can fulfil the role anticipated of them: removing the operational, capital-structure and data barriers that stop existing CDFIs scaling.

Second, identify the policy options to change the arrangements: to enable expansion and new entry by CDFIs, and to give private capital greater confidence, understanding, better pricing and transparency about where it can connect to the existing structures.

> Where the evidence sits: the population and its status (Briefing #1); the CITR eligibility rules that shape what and where CDFIs can lend (Briefing #2); the scale and volatility of CITR uptake (Briefing #3); how private capital participates today (Briefing #4); how CDFIs are funded, including where equity is closed and where finance is blended (Briefing #5); and the accreditation gates and relief thresholds that pace expansion (Briefing #6).

Draft briefings, and an invitation

SDWH Limited has started to develop the following briefings, and is very keen to engage with Responsible Finance and the Community Finance Partnership Taskforce to refine, expand and test them. Please get in touch.

Briefing	Summary contents	Written for	Status
#1	**Foundation: what the labels mean (CDFI, CITR, GGS, CEF)**	Orientation	DRAFT
#2	**CITR: the rules for community lenders**	Community lenders	DRAFT
#3	**CITR: the lending statistics**	Analysis and policy	DRAFT
#4	**CITR for investors**	Investors	DRAFT
#5	**How CDFIs are funded (the funding routes)**	Community lenders	DRAFT
#6	**The accreditation journey: CDFI, CITR, GGS and CEF**	Community lenders	DRAFT

Briefing #1 records each organisation's CITR, GGS and CEF accreditation status. Briefing #2 sets out the Case 1 qualifying-area geography and its datasets (the deprivation indices, thresholds and mapping sources) for all four UK nations.

About SDWH Limited

SDWH Limited is an independent consulting practice founded by Matthew Rees, providing objective research, analysis and briefing to organisations operating at the intersection of business, finance and government. It has no membership of, or commercial interest in, the community finance sector, and no product to sell.

Matthew Rees has spent his career at the boundary of government and markets, with a BSc in Economics from the London School of Economics and experience across investment banking, competition casework, regulatory design and public audit. At the Competition Commission he spent five years as financial and business adviser to statutory decision-making panels on mergers, market investigations and regulatory economics, including the payday lending market investigation, work directed at improving markets to benefit consumers. At the National Audit Office he led major examinations of how government invests, procures and finances, including a review of supply chain finance in the NHS that touched on salary advances. A programme of 15 NAO reports he led has been independently validated as generating around £1.7bn of financial impact, roughly a 250:1 return on the cost of the work, and he supported the Public Accounts Committee to improve outcomes in government's commercial transactions.

SDWH does not lead transactions, provide regulated financial advice, or provide statutory audit services. It offers independent analytical insight, which is why this toolkit is compiled from public sources, carefully referenced, with no stake in the outcome. More at sdwh.co.uk.

> Scope and limitations: this toolkit is a first draft based on publicly available information. It covers the UK arrangements only and makes no international comparisons, and it does not yet include a detailed review of the underlying legislation and regulatory considerations. Both would follow in any commissioned work. These notes are general information and are not tax, legal, financial or investment advice, and no liability is accepted for decisions taken in reliance on them.

