

## **Community Land Trust Steering Group**

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## Housing & Regeneration Act 2008

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*A Community Land Trust is a corporate body which:*

*1) is established for the express purpose of furthering the social, economic and environmental interests of a local community by acquiring and managing land and other assets in order -*

- to provide benefit to the local community
  - to ensure that the assets are not sold or developed except in a manner which the trust's members think benefits the local community
- 2) is established under arrangements which are expressly designed to ensure that:*
- any profits from its activities will be used to benefit the local community (otherwise than by being paid directly to members)
  - individuals who live or work in the specified area have the opportunity to become members of the trust (whether or not others can also become members)
  - the members of a trust control it.



## Legal entity – key considerations

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- Benefit of designated community
- Format to protect the asset - Asset Lock
- Not for profit
- There are 3 options:
  - Community Interest Company
  - Charitable company
  - Community Benefit Society
- All have limited liability – share or amount guaranteed – usually £1
- Liability if ‘ultra vires’ (outside the law)
- Long life expectancy – so consider the very long term too!



## Form to allow function ...

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- Allow chosen activities
- Appropriate for financial arrangements – grants / loans
- Effective, efficient, economic to run
- Democratic and enable involvement
- Ethos – aims and values



## Community Interest Company

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- CIC
- Memorandum & Articles (M&A) open to amendment
- Community Interest Company Regulator
- Community interest test – underlying purpose
- Can be a company limited by guarantee (best for CLT), company limited by shares or a PLC
- Share capital affect on voting would require consideration
- No tax advantage, possible rate relief, cheap to set up, receive grants / loans, less flexible with share capital
- Membership defined by M&A – one member one vote: vote for / stand for Board of management.



## Charitable Company

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- Registered charity
- Memorandum & Articles (M&A)
- Companies House and Charities Commission
- Most restricted trading – primary purpose only. Trading subsidiary option
- Strict public benefit test
- Attract grants, loans and favourable tax position. Cannot raise share capital.
- Greater regulation
- Membership defined by M&A



## Community Benefit Society

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- Industrial & Provident Society for the Benefit of the Community
- Benefit to community
- Can be charitable (exempt charity)
- Trading activity to help society meet its objectives
- Financial flexibility – e.g. make / take loans , raise share capital, low interest payments
- No tax advantages unless registered as an exempt charity – which limits financial flexibility
- Rules checked by Financial Conduct Authority
- Open membership defined by Rules – one member one vote: vote for / stand for Board of management



## Legal Options – in summary

| Legal Format                        | Company Limited by Guarantee  | Community Interest Company        | Community Benefit Society                              |
|-------------------------------------|---|-----------------------------------|--|
| Open membership                     | Yes   | Yes                               | Yes  |
| Member democracy                    | Yes   | Yes                               | Yes - one member one vote                              |
| Trading flexibility                 | Limited   | Flexible                          | Flexible   |
| Beneficiary representation on Board | Limited   | Unrestricted                      | Unrestricted   |
| Payment to Board members            | Restricted  | Unrestricted                      | Unrestricted   |
| Raise share capital                 | No  | No                                | Yes, using withdrawable shares                         |
| Legally enforceable asset lock      | Yes   | Yes                               | Yes  |
| Reporting and regulation            | Companies House and Charities Commission                              | Companies House and CIC Regulator | Financial Conduct Authority                            |
| Tax Advantages                      | Rate Relief<br>Stamp Duty<br>Corporation Tax<br>Gift Aid on donations | None                              | Share Issue Enterprise Investment Scheme<br>Tax Relief |



# Concept Note

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- Purpose
- Content
  - National CLT context
  - Arun District Council Context
  - CLT Context and aspirations
  - Development opportunity
  - Governance
  - Management
  - Strengths and Opportunities
  - Weaknesses and Threats
  - Key actions going forward
  - First project options
  - Recommendation on funding
- Approach

