

Somerset
Co-operative
Community
Land
Trust



Business Plan
2018 – 2021

Contents

Mission and aims

History

Business plan objectives

- Taunton
- Highbridge
- Wiveliscombe

The market for our services

Tenancy selection and management

New acquisitions in Taunton

Incubation: urban farmers and energy innovation

Financial history

Financial forecasts

Community shares and community engagement

Board and governance

Risks

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Mission and aims

SCCLT is a registered society, registered in 2009 under the Industrial and Provident Societies Act 1965, with the following mission:

“to provide sustainable affordable housing; and to provide workspace for community enterprises in Somerset; promoting co-operative principles and equality of opportunity for the benefit of the community...”

SCCLT was formed principally to address a crisis in housing. In the Taunton Housing Market area, the need per 1,000 households (Fordham index) is 15.3, among the highest in Somerset. Since 2006 the number of households on the housing waiting list has risen from 2,211 to over 5,000 (source: Homefinder Somerset). Shelter describe private rented housing in Taunton Deane as 'fairly unaffordable', requiring more than a third of income (source: Shelter 2011).

Assuming a mortgage of 3.5 times income, the deposit needed by the median earner to buy an entry level 2 bed home (entry level 2 bed homes in Taunton cost £127,000) would be £50,000. 83% of residents of Taunton Deane have less than £50,000 savings (Taunton Deane Housing Need Survey 2010). Home ownership nationally is now at its lowest level for thirty years.

We have found that supply of new social rental housing that is compact and affordable but has added collective benefits, is both a valuable service to provide to the community and a viable business model. However, our vision is not simply as a safety net: we are also seeking to create a different model of housing in which community, sharing, sustainability and equity are all enabled and promoted.

Taunton is the present focus of our activity, and in particular the eastern side of the town where deprivation is most acute (the Halcon area, close to our location on East Reach, has fallen into the bottom 10% of areas nationally for deprivation. We may however initiate projects in other towns in Somerset in the future to address the needs of other market towns in Somerset; Highbridge and Wiveliscombe are two locations where we have a growing membership. In general, we support independent, locally based CLTs, but it can be easier to begin as part of a larger organisation. This may in time lead to particular projects branching off from the 'parent' CLT to become self managing.

Like all community land trusts, we acquire and manage property for the benefit of the community, and make membership open to any resident in the area we serve. Unlike other community land trusts, we see our main focus as being urban development where we add value to sites by mobilising volunteers and designing imaginative conversions; we aim to keep costs low by reusing buildings and employing frugal building methods. We are also unusual in that we invite tenants to play an active role in the co-operative and share facilities as a single community.

History

SCCLT was formed in 2009, but became active in 2011 when Somerset Co-operative Services CIC began working closely with Taunton Transition Town to develop a housing and community enterprise project for a semi-derelict property in Taunton town centre.

That project fell through, but by then the society had sufficient support and momentum that it could transfer its attention to a different site: 10 East Reach, a listed building on a busy shopping street and main thoroughfare. The property purchase was concluded in October 2013, and SCCLT immediately sought planning permission for conversion of the building into flats. That was wholly successful and construction began in 2014, with the first tenants moving in a year later in 2015.

The initial desire of SCCLT to provide housing for those in the most immediate housing need proved over ambitious, and the first year of full operation provided a steep learning curve. One tenant quickly fell into arrears, and had to be evicted, leading to almost 25% residential voids in the first full year. In other cases, social problems experienced by those who had been homeless or close to homelessness came with them into the house, causing damage to the property and disturbance to other tenants. The tenant participation and mutual aid that had been hoped for was not achieved, and running costs were too high.

In the light of that, tenant selection processes have been reviewed and overhauled, tenancy agreements revised and specialist advice and training sought for the board. The result has been a reduction in voids, and in 2017 we met our target of 3%.

The shop front has been let to Somerset Co-operative Services CIC and opened as a

'co-operative hub' which provides a range of services (including credit union savings and loans, social enterprise advice, low cost phone and energy tariffs, and car club membership). The rent is set at £530 a month, slightly lower than other high street premises in Taunton. East Reach is not the busiest area of the town centre and there are several empty shops there at present – we hope that our hub contributes to a revival of specialist retail there.

SCS CIC has also been engaged under a service contract to manage tenancies, provide administrative support and project manage the development of new properties. One of the directors of SCS, and one of its staff, sit on our board. This close relationship is mutually supportive, but does create conflicts of interest. An independent consultancy, Clarity CIC, was engaged in 2018 to review our governance and contract management procedures to ensure that we continue to get the best possible value for money.



Business plan objectives

This present business plan has the following overarching objectives:

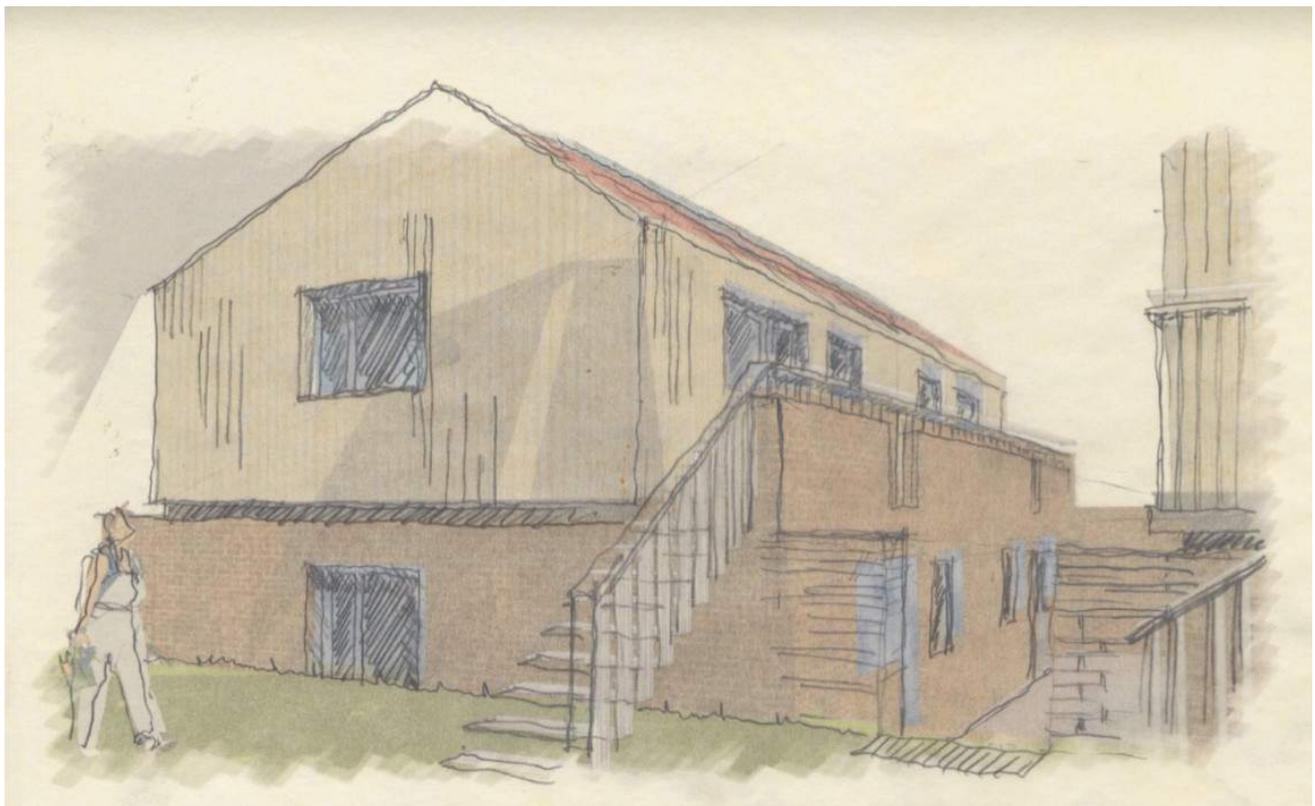
- to grow in scale: we will double our residential units by the end of 2019, and (subject to planning) will double them again before the end of 2020.
- to work with at least two communities elsewhere in Somerset to establish more community enterprise workspace and consult on the need for social rental housing there
- to undertake our first new-build development, and to practice working with building technologies that deliver high environmental performance at low cost
- complete the purchase of two properties close to 10 East Reach that enable us to do more from our existing base, including tenant empowerment, urban farming, renewable energy; while at the same time strengthening our balance sheet.

This business plan covers some core activities on which it relies, and for which the necessary agreements and permissions are in place, and others which are aspirational and for which no budgets have been set. Throughout the document we will be clear that the liquidity and returns on all investment sought are solely contingent on the core activities, and are not at risk of dilution from the pursuit of uncosted goals. This is achieved by using grant funding, at-risk investment, volunteer labour and conditional fee contracts to deliver the latter.

As aspirational goals become achievable they will be financed with fresh investment predicated on improved profitability for the society as a whole; and so will not add risk or reduce returns for the present investors.

<i>In Taunton</i>	Core activities <ul style="list-style-type: none">- Acquire 11A East Reach, and continue the income from tenancies already in place there; we will seek to deliver increased community benefit as voids naturally arise.- Acquire the land at 13-15 South Street, and plan a development consistent within the life of the existing planning permission (due to expire October 2020).- Begin generating renewable electricity on our premises, using a mix of secondhand solar panels at ground level and panels integrated of new buildings. Aspirational activities <ul style="list-style-type: none">- Secure planning permission for between six and eight new flats on the land to the rear of 10 and 11A East Reach, constructed to a high ecological specification.- Provide shared facilities (meeting room, laundry, workshop and storage) on our land for the collective benefit of tenants.- Secure planning permission for more extensive use of the land at South Street, with additional accommodation and year round production of fruit and vegetables as part of a community urban farming project
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	<ul style="list-style-type: none"> - Encourage the development of new community enterprises offering employment and valuable services for local people including our tenants. - Introduce co-op transport services to the town, including an electric car club scheme in partnership with Co-cars - Build on interest in renewable energy and energy storage to start a community energy society that manages the supply and consumption of electricity according to grid demand
<i>In Wiveliscombe</i>	<p>Aspirational</p> <ul style="list-style-type: none"> - Work with the owner of The Greenhouse (business units that house, among others, Brendon Orchards and Brendon Energy Co-operatives) to provide a transition to community ownership - Enhance the incubator services provided there, including specialist support and access to funding networks - Investigate the potential for a housing development in the village meeting the local demand for social rental accommodation, including the land available around the old brewery at Golden Hill
<i>In Highbridge</i>	<p>Aspirational</p> <ul style="list-style-type: none"> - Identifying goals in the Neighbourhood Plan that could be delivered by a Community Land Trust - Consult with members locally, and with prospective members, to develop proposals that meet local needs - Negotiate with landowners to secure suitable sites for development



The market for our services

SCCLT is not a Housing Association and may not be able to offer the range and value for money that local HAs can. That means that it is not so well placed to offer cheap family homes, car parking or large private gardens; but it can provide self-contained accommodation for people at rates cheap enough to be affordable on low income and benefits. This is particularly valuable to younger people who, if they lose their jobs, are at risk of not being able to afford market rates for self-contained properties (housing benefit reductions for under-35s mean that only a bedsit is covered). While most people prefer houses to flats, among new households over a third prefer flats (Taunton Deane Housing Needs Survey).

We can also provide some benefits normally only associated with home ownership:

- **Tenant management.** By giving tenants a strong role in the management of the co-operative, the sense of disempowerment that comes from having a landlord – even a social landlord – is significantly diminished. Tenants know that they have real authority in the co-operative, and can collectively take decisions on a range of issues.
- **Financial security.** A key benefit of home ownership is the opportunity to build up an equity stake in the housing that can be used to meet future housing needs. Social tenants do not normally have any such opportunity, but we will work with our partners in the Credit Union, with local agencies and with local community enterprises to deliver a package of benefits to tenants that will enable them to move on from our accommodation with more financial resources than they arrived with.
- **Autonomy.** While the tenancy agreement imposes reasonable conditions on lifestyle and responsibilities, SCCLT can be more flexible than most landlords in allowing tenants to customise their flats and take opportunities to improve their quality of life. Also, the rules give them a strong voice in general meetings and the opportunity to stand for election to the board, which means they have real influence over the terms of their residence.

This is an unusual offer, and not everyone will see the benefits. However, there is growing evidence that demand is very high: in the last year we have advertised three vacancies and on each occasion we have had many more applicants than we could possibly house, many of whom had been waiting for months for suitable accommodation. In 2018, we had more than ten applicants for one vacancy. Of those applications, eight completed the two page application form and asked for an interview, and four were interviewed. Though only one could be housed, the quality of the applications were such that most if not all of the interviewees would have been offered a flat had enough been available.

In 2015, we set the rents at a level that would allow any adult reliant on housing benefit (Local Housing Allowance) to afford a self-contained flat provided that they could use the £6 a week saved on broadband internet, and the £2



saved on reduced heating bills as a result of our investment in insulation, to top up their benefits. Normally, housing benefit covers £92. However, anyone under the age of 35 will only be entitled to a bedsit in a HMO with a shared kitchen and bathroom. This is a very poor standard of living which offers little dignity and numerous practical problems – from being able to secure better work, to having children visit at weekends. We aim to house everyone in a property with its own front door.

It is crucial that we deliver affordable housing; this means no more than 80% of market levels, and typically less than housing benefit levels (which set according to the lowest 30% of rents). In practice, however, we wish to aim for lower prices still. Those with low entitlements are hardest to help, but we still aim to be within reach.

This shows how the rents proposed match up to the current housing benefit provision:

		HB – 1 bed 2019	HB - 2 bed 2019	HB shared 2019	Value of wifi	Saving on heating	Below HB	Below HB Low (after savings)	entitlement (after savings)
10 East Reach									
2 bed	£115.00	£95.93	£123.24	£130.85	£6.00	£2.00	7.16%	20.74%	-9.63%
1 bed	£76.00	£95.93		£65.42	£6.00	£2.00	26.23%	36.75%	-3.39%
South Street									
2 bed	£120.00	£95.93	£123.24	£130.85	£6.00	£8.00	2.70%	20.70%	-8.39%
1 bed	£84.00	£95.93		£65.42	£6.00	£8.00	14.20%	30.87%	-5.45%

We are able to provide a very good deal for people who receive the full allowance, and we are very close to meeting even the reduced level for under 35s.

Our intention is to uprate rents annually in accordance with CPIH, which is a variant on the official measure of inflation, CPI, which includes rentals. In 2016 this was 0.9%; however, it is expected to rise in the coming months and it often runs ahead of CPI inflation as housing costs remain high even when other economic indicators are weak. In the new development, we expect to set prices around £84 a week. While this is higher than current housing benefit levels, the very low heating bills that can be achieved in a new build, coupled with the other free and low cost services associated with the development, mean that we should still be accessible.

Tenant selection and management

We operate a policy of only offering places to people in housing need – that is, they are homeless, unaffordably housed (ie more than a third of income required to cover rent) or unsuitably housed (unsafe, unhealthy, overcrowded or stressful). We then find out as much as possible about applicants to establish whether the particular opportunities that we offer will be of benefit to them, and whether they bring ideas, attitude or experiences that will enable them to contribute as members of the CLT.

We ask for a deposit – typically one month’s rent – and we follow up two references. If neither of the references is from a previous landlord, we would expect the prospective tenant to have enrolled on the tenant certification scheme, which provides an intensive course preparing people for the obligations and expectations of managing a tenancy.

Letting out our first flats in 2015, we were inconsistent in following up references, and incautious in the selection of tenants. We allowed arrears to build up too quickly and did not monitor and respond to problems decisively. These lessons have been learned, and in the last eighteen months there has been a much more consistent approach to preventing, anticipating

and minimising difficulties. This is achieved by teamwork between paid staff and volunteers; offering effective support and good listening to tenants when they face difficulties; and consistently and firmly applying the tenancy agreement, to the point of securing court possession orders when needed. The result has been low voids, and no evictions.

The most serious problem has arisen from Universal Credit. This is a new system in Taunton and the first claimant at 10 East Reach only came to us late last year. The lengthy waiting period before funds were released, coupled with the insistence that all rent should be paid to the tenant rather than the landlord, would in themselves have caused difficulty. However, the incompetent administration of the system and the aggressive and sceptical attitude of DWP staff has dramatically worsened an already flawed system. After six months without rent, we have finally secured direct payments from

DWP to cover both rent and arrears. However, the cash flow difficulties it has caused us, and the stress and suffering experienced by tenants, have been an urgent warning to us.

We will mitigate the risk this poses in future by building up a shared file of UC correspondence with tenants so that we are fully informed on the progress of claims; and

we will be prepared with template forms to seek direct payments quickly when necessary, and will follow up with repeated telephone contacts to ensure DWP compliance.



New acquisitions in Taunton

The key proposal in this business plan is to acquire two new properties – 11A East Reach, which partially adjoins our existing property, and the land at South Street.

11A East Reach

We have had a good relationship with the owner of this property for some time, as he has made the garden available to our urban gardening project as a chicken run. He has now decided to put it on the market, and we have agreed a price of £170,000 which we consider to be relatively inexpensive (we secured 10 East Reach for £130,000 with no residential planning permission, whereas 11A already has a recently renovated 3 bedroom flat – see picture, right).

11A brings in a regular income from the upstairs flat and from the ground floor shop – presently rented by a massage therapist. This income is sufficient to cover the costs of buying and maintaining the premises, and this business plan relies only on a continuation of the present income stream with a similar level of voids to our existing properties.

However, this is not the main appeal of 11A for us. The large back garden adjoins our existing garden and combines to form a much larger area for development; it does not have the constraints that our existing garden has (a listed air raid shelter, extensive root protection zones for mature trees, poor access and no direct sewer). By combining it with our property, we can realise a significant planning gain (which we would share with the vendor of 11A, through a £50,000 overage payable three months after planning permission is granted).

Our plan, for which much of the surveying and design has already been carried out, is to build a further six to eight flats in the garden of 10 East Reach; at the same time we will add a meeting room and tenants communal facilities at the rear of no 10, and refurbish the ground floor kitchen and WC.

We should be clear that this is entirely subject to a planning application still in development (though pre-application consultations have given us cause to be optimistic). This business plan does not rely upon it – indeed, the purpose of this business plan is to secure the property itself so that the planning application can be submitted. We have therefore assumed that £5,500 is spent on planning applications which are unsuccessful – the (highly unlikely) worst case scenario.



The consultation process began in 2014 with two events (one principally for members and volunteers, one for the local community) where participants were encouraged first to visualise the type of accommodation that might be provided, and how it could be laid out; then to specify its style and appearance. Further meetings with prospective tenants also added to the detail of the internal facilities.

There will also be an informal building

with an electricity supply but no other services suitable for storage and amenity use; the position of the building may well be suitable for mounting solar panels for electricity generation (we have acquired 30 second hand panels for this project).

We have come up with some original solutions for the constraints of the site:

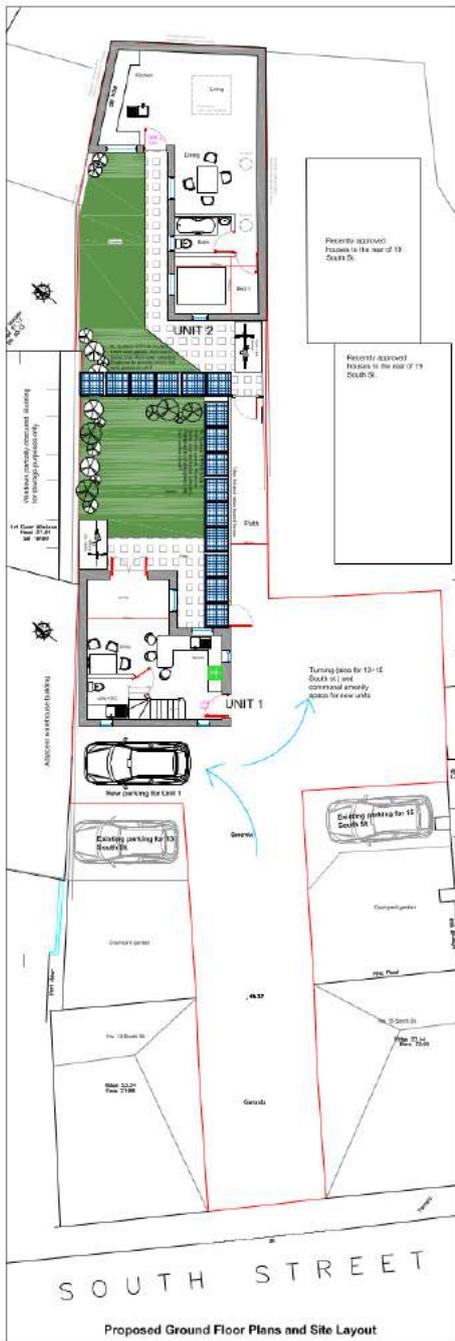
- Tenant access. The tenants also will be limited to the route through the house for their access, and a keypad entry system will provide security. Mail will be collected and sorted into boxes in the corridor for easy collection.
- Fire safety. Because the new buildings cannot be accessed by a fire appliance, Devon and Somerset Fire Service have suggested that a domestic sprinkler system is installed to ensure that any fires are quickly extinguished (there has never been a single fatality in the UK in a home with a sprinkler system installed).
- The setting of the listed building. We have consulted with the conservation officer at a pre-application meeting, and he has indicated that there is nothing in the plans that would compromise the setting or integrity of the listed building. However, we will be required to preserve a second world war air raid shelter in a community garden setting – and indeed we will use this as an opportunity for further community engagement.

South Street

The site in question is approximately 0.2 acres of land accessed from South Street between numbers 13 and 15 (these two properties are outlined in green, and have been sold to other landlords). Its last use was as a private car park used by various local businesses, but it has suffered from fly tipping and the collapse of one boundary wall. The owner is no longer resident in the area and is keen for a quick sale. We have agreed the price as £58,550 (£60,000 less the cost we have calculated for the clearance of the site and restoration to full function as a car park).



This is a good opportunity for us to carry out a new build. This business plan presumes that we build three new flats here and in addition provide workspace for the urban farming enterprise that is presently in operation at 10 East Reach (described in detail below). This workspace would use a mix of open space, greenhouses and shed space, with the enclosed space being sufficiently modest to be constructed without planning permission under permitted development rights.



The site does have planning permission for residential use. The permission is for one two bedroomed house and one one bed house, with internal floor areas estimated at 110m². This is not the type of accommodation that our mission statement and business model most favours, but the volume of residential building could be re-configured internally (and with use of loft / lower ground floor) to provide four studio flats without departing significantly from the planning permission already secured.

However we think it should be possible to improve on this. Firstly, over time the site has been built up with an accretion of surface layers that already need to be removed to enable foundations to be excavated. If at the same time the ground level was lowered to the same elevation as South Street itself, or the adjacent yard

behind 131-133 East Reach, it would be in places over a metre below its present height. Buildings at this level, with flat roofs, would not overlook any other properties or infringe 'rights to light'.

At the same time, the height of the outbuilding behind White's funeral parlour would allow an extra storey above; and subject to the agreement of Our Lady of Glastonbury (a catholic church hall) additional construction in the southernmost corner might also be possible. For this reason, we believe that a development of six flats, with a 'living roof' providing a community garden area, would achieve planning permission and provide a more appropriate level of housing density. It would also allow for additional greenhouse space for Taunton's Urban Farming social enterprise, which provides health, employment and environmental benefits to the community.

Nevertheless, it is important that the business plan does not rely on plans that have not secured full permission. For this reason we presume that the eventual development is of the two buildings already approved – though we do intend to divide the two-bed property into two studio flats and add a second bedroom to the single storey house. Our architect has advised that this would be a ‘minor material amendment’ and so would not require fresh consent.

We take a distinctive approach to implementing this build:

- We plan to use a form of timber frame known as Structural Insulated Panels (SIPs). As these are prefabricated, they can be made in suitable sizes to be carried through the passage and then assembled on the footings. As this is a lightweight form of construction, the demands on the foundations will be less.
- Green transport. Our tenants are in general unlikely to be able to afford to run a car, so we are concentrating on making the site cycle-friendly. At the same time we are working with Co-cars, a co-operative car club based in Exeter. If we can build a critical mass of support among the local community, they will install a charging point and provide an electric car that can be booked by the half hour as our tenants and other users require.

The challenge is to deliver three things that are typically traded off – low cost, environmental sustainability, and a design that enhances the nearby listed buildings. This is difficult, but not impossible – some design solutions include

- using prefabricated wall sections, that allow for some self building and can be made with insulation already incorporated
- minimal use of concrete and ‘wet and heavy’ construction. This is skill intensive, hard to bring on to our constrained site, and has high embodied energy and carbon
- buildings that spread beyond their foundations. Small foundations that support builds that expand outward as they rise (cantilevered overhangs, large bay windows and bridges) to get the full benefit of the lightweight structure
- construction using dimensions based on standard sheets of 2.4m x 1.2m materials, reducing the time spent cutting panels to size
- use of mass manufactured, standard components
- a visually satisfying design that uses simple angles and alignments to capture sunlight and create courtyards and circulation spaces
- small flats are combined with unheated (and hence very low cost) shared spaces that provide amenity, storage, utility and services.

Estimation of costings

Our costings are based on quotes (about a third of the total), similar contracts recently concluded (about a sixth) or are contingency budgets (about a fifth). The remainder is based on cautious estimation. Some funding has already been secured – we are grateful to CAF Venturesome for providing an unsecured, non-repayment loan for pre-development work so that we can begin preliminary work without delay.

The cost per square metre is estimated at £1,800; without the cost of site acquisition, this falls

to £1,313. The total budget is therefore £220,000, not including a further £24,000 which is allowed for a planning application that might enable a more profitable build. To be cautious, we have included this expenditure but assumed that the application is unsuccessful. This is an unlikely eventuality – we will not hazard an application unless we have a very high expectation of success.

This pie chart shows how we expect the construction funds to be employed:



Incubating community enterprise

SCCLT goes beyond the simple provision of affordable housing by incubating, promoting and resourcing community enterprise. This is an integral part of our mission statement and enables us to help tenants to not only have secure accommodation but to work together to improve their living standards and resilience. It also enables us to motivate and mobilise our supporters by showing that we do not just manage social problems, but bring about real social change.

This is already happening at 10 East Reach, but we have been given another opportunity at 'The Greenhouse' in Wiveliscombe, a large village several miles to the west where we already have some members.

A local green activist purchased a disused industrial building and converted it into business units – eight office spaces and one larger room on the ground floor. The large space is occupied by Brendon Orchards, a local co-operative that provides apple pressing services. The other units are let out to local businesses.



We have been invited to acquire this building and take over its management. The price agreed is £100,000, which compares well to the combination of the bricks and mortar valuation (£90,000) and the value of the incubation basis

(goodwill and brand: £13,000), offering the CLT the opportunity to diversify its income and strengthen its balance sheet. The regular income will cover the cost of purchase and management, and (in partnership with SCS CIC) we can add value by creating hot desking opportunities, improved internet services and video conferencing facilities. Gradually we will encourage (with discounted rates) more social and sustainable enterprises to move in to vacant units and develop it as a specialist centre for ethical entrepreneurs. At the same time, we are exploring the possibility of acquiring the neighbouring site of the former brewery, which has previously secured planning permission for a housing development.

Stimulating the growth of sustainable co-operatives in a community is achieved both by responding to grassroots initiatives and by generating enthusiasm for ideas emerging from our work. Two projects currently underway provide a good example of this.

An unexpected bonus of acquiring 10 East Reach was its garden. Unloved and unused for decades it was taken to task last year by David Clegg and with some help from local volunteers he cleared and created a working organic garden from virtually nothing. He set in place a crop rotation, leaf mulch bins and composting bins. Produce was created throughout the year and was taken to Taunton Open Door to be used as a fresh organic produce supply in their kitchens helping feed homeless people in the town.

More recently, grant funding from the Urban CLT fund supported part time employment for some of the tenants of the CLT – all people who had been homeless or at risk of homelessness, and were long-term unemployed. They worked to prepare growing areas and clear ground; since the temporary work finished, two have gone on to find other employment.

We have also approached a number of other land owners in the town, and the Brewhouse Theatre and Friends of French Weir Park have expressed interest in allocating some of their unused land to horticulture. In partnership, we are seeking grant funding to expand this work and turn it into a trading business.

The draft mission statement for this new enterprise is: ‘Converting urban spaces to grow high quality plants for sale locally, with participants (especially disadvantaged groups) gaining paid work and lifetime skills; in order to support transition to a more inclusive and resilient community.’ In time, we expect it to become a standalone co-operative independent of the CLT.

Another example of community enterprise incubation is the way in which CLT member interest in solar power has stimulated research by Somerset Co-op Services CIC (SCS) into new business models for community energy. Our partnership with SCS, the local co-operative development body, has already been effective in the shop at 10 East Reach where several of their clients have their registered address.

Somerset has already seen rural communities successfully form societies such as Avalon Community Energy and Brendon Energy, generating power from fields and village halls; but these have not engaged urban communities, where insulation and energy bills are more pressing issues. Local events have confirmed support for a community energy society in which generation, storage, smart meters and energy efficiency initiatives work together. These ideas can be trialled by the CLT before being spun off into a new community enterprise.

Community engagement

We are committed to extensive community engagement as part of this process. We stage public events at least once a year, and we have publicised the opportunity of becoming a member of the project through numerous networks, the press, faith groups and local organisations in Taunton. We have also canvassed opinion through Transition Taunton, with housing and homelessness agencies and through the local Credit Union.

As we began to develop ideas for developing the back garden, we invited volunteers, members and supporters to join in a participatory planning exercise at our Christmas party – this gave rise to the basic layout of the



development. Later, we held an open day for tenants, local residents, local businesses, members, councillors and the public to present our first set of ideas, and consult on styles and finishes. Over a dozen people contributed their ideas, and the exercise was repeated a few weeks later at our AGM. The result is a set of design principles, themes and styles for surfaces and finishings, and ideas relating to the need to deliver high environmental standards at low cost.

We have recently begun a series of community newsletters delivered door-to-door in east Taunton, with 10,000 delivered of each edition. These are multi-purpose: they invite local people to become members, promote projects and activities at 10 East Reach, encourage prospective tenants to come forward and participate, and seek feedback on the proposed development.

Involving prospective tenants, so as to make the project a custom build, is an important part of our plan. Already six people have contributed ideas and support, and their preferences will shape the finished building.

Our community share offers to date have raised £22,710 from 39 Somerset residents (and £169,400 from outside the county). In addition there are six current or prospective tenants who are also members. New members continue to join, with seven doing so in the last three months, and a rally for tolerance and inclusivity on Taunton Bridge on January 20th, organised by us, attracting an attendance of over thirty people.

We have had several local councillors express their support, and feedback from our members to our newsletters and updates is consistently positive. Our Facebook page has attracted almost 300 'likes' and coverage on local TV and radio has also attracted positive feedback.

Key partnerships for us are with Taunton Association for the Homeless, who have provided referrals and follow-up support; Elim Connect Centre, who have advised us on tenant management; Open Door Taunton, who we provide with food from our garden; Taunton Deane Borough Council; Somerset County Council; Transition Taunton and Taunton Quakers.

The plan for engaging with the community in our current share offer is as follows:

Week beginning	Press and PR	Literature	Web & Social media	Events
August 27th		Spring newsletter, including invite to share launch and follow up events. Encourage Twitter / Facebook followers to monitor progress.	Facebook posts as normal, with emphasis on eco-building and solar power.	
September 3rd	Press release with launch pictures. Fit flags to all cars and ebikes, and issue bike flags to members and supporters. Station flagged bikes near all bays.	Mailshot to Co-op Angels; Ethex to notify their members.	Boosted post on Facebook; Website share offer page goes live.	Share offer launch in Taunton town centre.
September 10th	Press release relating to SW social economy / community shares.	Leaflet for potential and current tenants.		Share offer Q&A at 10 East Reach.
September 17th	Press release: announcement relating to electric cars.	Leaflet drops at premises of supportive organisations, eg local shops.	Begin weekly progress reports: how close to target.	
September 24th				
October 1st	Press release: announcement relating to East Reach planning.		Update website with FAQs based on responses already received.	Arrange to meet one or more supportive politicians for photo-op.
October 8th				
October 15th	Press release: successful close of share issue.	Is there any need to extend the share issue? Hopefully not, but if so notify Ethex and others.	Report result of share issue.	Celebratory event

Financial history

The profitability of SCCLT has been poor over the last two years. The income from rents covers servicing of debt (a mix of mortgage, low interest short term loans, and interest only finance) and other vital expenses, but this leaves a tight profit margin. We need to replace the expensive share underwriting loan with share capital or a re-mortgage; gain the economies of scale from a larger number of flats, combined with the efficiencies of a new build (as opposed to conversion of a listed building); and seek to acquire further properties that represent good value, such as the Greenhouse in Wiveliscombe (described in more detail below).

The last two years do show significant losses, which we need to account for. In 2016 there was a major adjustment to the share register to correct errors in the previous year's accounts. This accounts for all but £8,000 of the losses in 2016.

In 2017 we made another loss. This was made up of one-off or avoidable costs:

- £3187.50 (invoices at-risk, only payable in the event of construction of new housing commencing behind 10 East Reach)
- £3125 (additional interest charge to be eliminated with planned remortgage)
- £1925 (one off charge for unsuccessful planning application)
- £3000 (approximate costs of unsuccessful attempt to purchase 9 East Reach)
- £500 (rents set too low, and cost of water charges not recovered)
- £326 (arrears of delinquent tenant written off)

The current liabilities also include £5,187 that was received before the end of the year as application for share capital. These shares were issued early in the new year and so while it appears as a creditor it is not a short term liability other than in a technical sense. Similarly, the loan from CAF Venturesome is indeed due within the present year, but on the very last day - 31st December 2018. This business plan includes provision for its repayment in full.

The combined value of purchases and development exceeds the most recent valuation, which is just £300,000. The amount of investment required to get us to this stage exceeds both, meaning we have accrued losses rather than reserves. This is because the large site to the rear of 10 East Reach cannot yet be valued as development land – because we are still developing our planning permission, and our garden alone has limited access from the road. It also reflects the costs of development the CLT as an organisation – a significant cost which will be recovered over many years.

These problems are now being addressed. We have negotiated an option to buy two neighbouring gardens, which includes shared use of an archway through from the main road, making development more practical. The acquisition of the land – which can be done after planning permission is secured – will cost £80,000. Further land on the other side is available for £50,000. All told, it would create a vacant plot of more than 0.3 acres.

With the aid of grants from Locality and the National CLT Network, we have been able to contract an architect and a heritage consultant to develop a fresh planning application using this larger site; this hopefully will add a further twelve to eighteen flats. We are also seeking to refinance the interest only loan from Community Land Finance, replacing it with a more affordable mortgage. This will provide headroom for more development work.

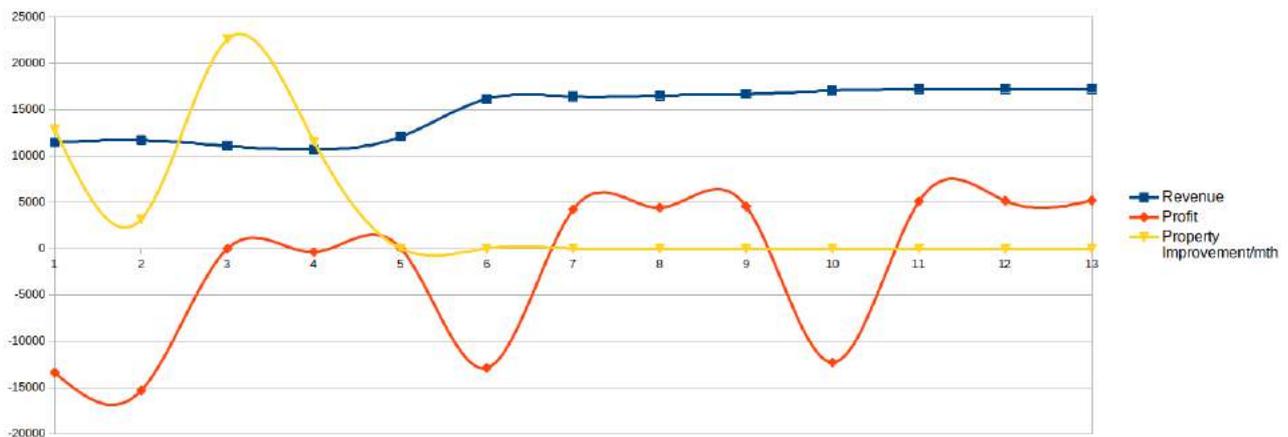
Financial forecasts

We have prepared some monthly cost analyses to establish how to achieve positive cash flow and profitability by 2020. These examine several different scenarios, but only one is detailed here:

- acquisition of 11A East Reach, no further planning permission secured
- acquisition of South Street car park, no planning permission beyond the two properties approved

The only loans and grants that we include in the forecasts are those already secured. However, we have an ongoing programme of grant applications which, if successful, will allow us to enhance our social impact.

This graph shows how expenditure on property improvements will lead to increasing revenue and profitability:



This shows that we have a route to achieve full profitability from 2020, even without further development. We would still have accumulated losses on the balance sheet, but it is likely that these will be offset by valuations of the new properties that are in excess of the cost to develop them. This is however speculative and so our forecasts do not rely upon them.

However, it is equally clear that the scenario in which the flats are developed behind 10/11A is far preferable. In this scenario, with rent rises that are at or below inflation, there is a windfall profit from the planning permission of £50,000; and development costs similar to South Street allow a corresponding improvement in profitability with the additional scale that comes from a development of 6-8 flats rather than three.

The following page shows a summary forecast for the profitability and cash flow of the society, using a model developed for us by Third Sector Accountancy.

Somerset Co-operative Community Land Trust
Annual summary

	2018	2019	2020	2021	Profit margin
Income and expenditure					
Income	47,394	46,875	66,000	68,910	
Expenditure	(73,186)	(20,841)	(26,163)	(26,600)	
Operating surplus/(deficit)	(25,792)	26,033	39,838	42,310	
Interest payable	(33,940)	(41,305)	(39,607)	(39,394)	
Net surplus/(deficit)	(59,732)	(15,271)	231	2,916	4.23%
10 East Reach	(17,526)	(2,319)	(1,657)	(817)	
11A East Reach	(5,989)	(82)	316	730	
South Street	(36,217)	(12,870)	1,571	3,003	
Net surplus/(deficit)	(59,732)	(15,271)	231	2,916	
check	-	-	0	(0)	
Cashflow					
Cash b/f	(2,111)	117,571	2,285	1,449	
Net surplus/(deficit)	(59,732)	(15,271)	231	2,916	
Non-revenue income	687,603	143,725	11,850	12,068	
Non-revenue expenditure	(508,189)	(243,740)	(12,916)	(13,447)	
Cash c/f	117,571	2,285	1,449	2,986	
10 East Reach	2,525	(746)	(3,493)	(5,548)	
11A East Reach	8,669	7,581	6,791	6,309	
South Street	106,378	(4,549)	(1,849)	2,225	
	117,571	2,285	1,449	2,986	
check	-	(0)	(0)	(0)	

Board and governance

Somerset CCLT is registered with the FCA as a multi-stakeholder Community Benefit Society (Somerset rules) number 30745 with user members being drawn from two stakeholder groups: residents of Somerset and tenants of the CLT. The tenants have the greater say, with 45% of votes at general meetings; local residents have 30%. While it registered in 2009 as a Co-operative Society, it converted to a CBS in 2014 to get the benefit of a statutory asset lock.



Outside investors may also join, but with voting rights limited to 25% of the voting strength at any general meeting. This is sufficient for some representation on the management committee, and a veto on changes to the rules or certain resolutions. However, it ensures that day-to-day decision making is in the hands of the principal stakeholders.

The rules allow for withdrawable share capital to be issued to all classes of member. These shares can normally be withdrawn on request, although the board of directors has the power to suspend withdrawals. As of autumn 2017, withdrawals are suspended in order to build up liquidity for the planned development. Withdrawable share capital cannot be transferred to others or increase in value.

The current board of directors:

Alex Lawrie (Secretary / Business development manager)



Alex Lawrie is a founder member of two housing co-ops (Cornerstone and Stepping Stones), Footprint Workers Co-operative, the Ecological Land Co-op, GO-OP and Somerset Co-operative Services CIC. He led the team that developed the Somerset Rules, now used by 25 co-operatives including Somerset Co-operative CLT.

He studied politics at Leeds University, Fundraising and Training Skills at the DSC, and Planning for Real at the Neighbourhood Initiatives Foundation. He is a SFEDI accredited social enterprise advisor. He is the author of 'Empowering the Earth' (Green Books, 2000) and 'Simply Finance' (Co-ops UK, 2011). In 2017 he completed a Masters Degree in Strategy, Change and Leadership at Bristol University.

Alan Debenham (Chair)

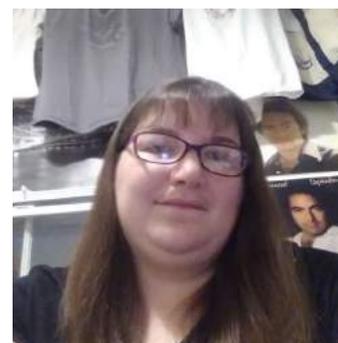
Alan is a Parish Councillor in Staplegrave, near Taunton, and was a Green Party Councillor on Taunton Deane BC. He held the seat for 18 years, sitting mainly on the housing and planning committees. His career has included teaching maths and science, and being a senior officer working for Somerset County Council.



He was a pioneer of communal living and social investment having been involved in the Ecological Land Bonds Scheme in the late 1970s and early 80s. In 1980 he led the establishment of the Holme Place Community at Oakford in Devon, a housing co-operative with 20 members pursuing high self-sufficiency and a low environmental footprint.

Caitlyn Oakley (Treasurer)

Caitlyn Oakley is new to the board, and a fairly new tenant at 10 East Reach. With a background in the health food and eco friendly retail industry, and a passion for finding new ways to help the environment on a small local scale. She's also previously run her own business with a shop in environmentally friendly children's products and recycled products, and more recently in the book and music scene. She is a qualified holistic therapist and nutritionist - specialising in autoimmune diseases.



Providing support for a previous partner's psychology degree has also given her a good grounding in the world of psychology and statistics. She plans to finally get her sociology degree which will eventually lead to a masters in gender studies with a focus on feminist bias.



Eddie Hooper

Eddie is a retired carpenter and general builder. He previously worked for Community Education providing training and work experience in the construction industry for unemployed young people.

He was one of a group of householders who, working together, developed a group of twelve self

build houses in Norton Fitzwarren. He is an enthusiast for sustainable building practices, and in particular the incorporation of power generation in the fabric of the building.

Viv Turner

Viv moved to Taunton in 1971, where he joined Somerset County Council. He spent 13 years as a Quantity Surveying Technician in the Architects Department, and 24 years as an Area Building Surveyor in what became the Property Services Department, before retiring.

As both he and his wife are Christians, he is one of the Street Pastors in Taunton, in which he cares for people on the streets every Saturday night, handing out flip-flops, water and sweets. He grows his own organic fruit and vegetables, and was attracted to the CLT by its urban gardening project. He says “my faith has called me to be a steward of the land and so I am pleased and privileged to be part of the SCCLT”. He was appointed to be a director in April.

Duncan Francis

A fairly recently appointed member of the board of directors of SCCLT, Duncan works for SCS CIC on the CLT service contract, administrative tasks that are required for new co-operatives, as well as liaising with clients and members. He is also interested in the potential of urban greening, with grow sites run by the community for their own benefit.

He has recently completed his First Class Honours degree in Mathematics and Physics at The Open University, and plans on applying his expertise in these areas, along with his contacts in Architecture, to activism within the realms of energy and housing, as well as soon coming on to study Computational Finance at Masters level so as to develop some skills in business and finance that are necessary in any form of entrepreneurial or activist projects.



Rachel King

Rachel completed her Biological sciences (Hons) degree from Exeter university before joining the civil service where she was a UK representative at the EU Commission on sugar policy. She became District Commissioner for Lambeth Scouts and joined the board of Clapham Park Homes (then a subsidiary of Metropolitan Housing). This led to her working for Metropolitan in communications and engagement specifically for Clapham Park which has been going through a huge regeneration process. She has recently moved to Taunton and brings her extensive experience of housing associations to the closely related setting of a Community Land Trust.

Mel Reynolds

Melissa Reynolds is new to the board and also a fairly new tenant at 10 East Reach (with Caitlyn) Her background is a passion for architecture and town planning. She's finally starting her degree in town planning next year after her access course with the Open University this year. She has a keen eye for detail and is looking forward to having input in the exciting new projects ahead with the CLT.

A keen photographer, she hopes she can put this to good use in some interesting before, during and after projects.

Andy Burton

Andy Burton retired from full time employment in 2012 after 30 years leading a multi-purpose Charity and Community Business in South East London specialising in employment/enterprise and community development based on the reuse and refurbishment of disused property.

During that time Andy was a founder member of a number of initiatives including the local voluntary sector forum, small business loan scheme, transnational 6th form studies programme, various recycling initiatives and designed and managed a number of refurbished properties including an adult learning centre and computer repair and reuse centre .

Andy has recently served as a founder member of the local Unite Community Group, worked part-time as interim-manager for a local mental health charity and is currently a volunteer general adviser with Citizens Advice Sedgemoor.

Andy is particularly interested in supporting the potential to develop mixed use land and property providing sustainable resources and employment opportunities of benefit to the whole community across the county.

Sam Wiggins

Sam lives in Taunton and is an active member of the Co-operative Group, acting as a 'member pioneer' at the local store. She runs a small business supplying specialist therapeutic tools, especially to support children and adults with autism. She has been involved for some time as a volunteer at 10 East Reach, working with her husband on the urban farming project.

Risks

Failure to secure property purchase

This share offer will only conclude in the event that contracts are exchange on at least one of the properties required. In the event that the purchase of the other falls through altogether, no mortgage finance will be employed and shares alone will be used to complete the purchase.

Loss of key personnel

No person in the CLT is indispensable, given the large and confident board and the excellent support from a range of specialist bodies including Third Sector Accountancy and Clarity CIC. However, we will ensure that signatories are regularly updated and information shared among board members.

Damage to files and records

Electronic copies of most files are kept on cloud storage that can be accessed by multiple board members.

Cost overruns on building work

We will ensure that our architects monitor the costings and that work does not commence until we have secured fixed price contracts from contractors. In the event that an overrun seems possible, we will work with stakeholders and supporters to increase the amount of volunteer labour being used.

Objections from neighbours

We will maintain close contacts with neighbours, most of whom have already heard from us. We will aim to be considerate builders with regular working hours and with noisy operations on designated days.