

# Somerset Co-operative Community Land Trust

*Our mission: "to provide sustainable affordable housing, and workspace for community enterprises, in Somerset; promoting co-operative principles and equality of opportunity for the benefit of the community."*



## Offer document

Closing date: 30<sup>th</sup> November 2018





*Since soon after acquiring 10 East Reach, there has been an active gardening project there - we now supply the neighbouring restaurant with salad leaves and eggs.*



*In the long term, we hope to develop more properties to the rear of 10 East Reach - these sketches show how the ideas are developing.*

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**Community Shares Standard Mark:** The Mark is awarded by the Community Shares Unit to offers that meet national standards of good practice. These standards ensure that:

- The offer document and application form are easy to understand
- You are provided with all the facts you need to make an informed decision
- The facts are supported by the annual accounts and/or business plan for the society
- Nothing in the documents is purposefully incorrect, confusing or misleading



## **Warning**

You may lose the value of your shares. As a Registered Society, Somerset Co-operative Community Land Trust Limited does not need to be authorised by the FCA to take deposits by issuing these withdrawable shares; the money you pay for your shares is not safeguarded by any depositor protection scheme or dispute resolution scheme.

Our shares are not “investments” for the purposes of the Financial Services and Markets Act 2000. So you do not have the level of protection that you might otherwise be offered by the Act. In particular, this document does not need approval (and has not been approved) by an “approved person”. This document is also not regulated by the Prospectus Regulations 2005. Those regulations do not apply because there is a specific exemption for Co-operative and Community Benefit Societies.

**This is a share issue to provide new affordable rental accomodation in central Taunton, and provide the basis for the society to plan further housing in the future.**

**This property will be held in perpetuity and employed for the benefit of the community in Taunton, and will enable us to go on to benefit communities elsewhere in Somerset as well.**

**Our model of a CLT anchoring the local social economy, and empowering tenants through co-operative management, is intended to be replicable anywhere in the UK.**

# Executive Summary

Registered name: Somerset Co-operative Community Land Trust Limited

*(We have amended our rules to meet the criteria for a Community Benefit Society with multistakeholder rules and a statutory asset lock. Our rules also provide for an alternate trading name – Somerset Co-housing Community Land Trust – but this is not our legal registered name)*

Registered Office: 10 East Reach, Taunton TA1 3EW

FCA register number: 30745R (Companies House: IP030745)

Year established: 2009

Funds sought by the closing date of November 30<sup>th</sup> 2018:

Minimum investment sought: £187,500

Optimum investment sought: £237,500

Maximum investment sought: £350,000

The board may choose to extend the closing date by up to 3 months.

Societies are asked to sign a Code of Practice requiring them, among other things, to give the public a right of complaint to the Community Shares Unit.

For more information about community shares, the Community Shares Standard Mark and the Community Shares Unit go to: [communityshares.org.uk](http://communityshares.org.uk)

Share type:

- Ordinary withdrawable class 2 (local community). Any resident of Somerset can join for £1; however, as interest is only credited in whole pounds, a share balance of at least £25 is needed to participate in the benefits of this share offer.
- Ordinary withdrawable class 3 (social investor). Anyone investing at least £500 may apply, but some restrictions on participation apply to social investors in order to maintain local control of the society.

Maximum individual investment: £18,750 in this offer. In addition, the rules limit individual investments to £50,000 in total for individuals and companies.

Return on investment aimed for: 4.5% interest

Access to interest: sums of between £50 and £250 will normally be paid annually, and otherwise interest will be credited to share accounts. Withdrawals will be enabled from 2021, at first rationed according to an equitable formula but increasing over time.

Exit: by application to withdraw after three years, at the sole discretion of the board

## About Somerset Co-op CLT

Our Community Land Trust is one of dozens in the UK, and many more around the world (the first were in the USA, started by civil rights activists who in turn had been inspired by Gandhian land rights initiatives in India).

But we have taken some decisions which – while not always making things easy – have enabled us to pioneer social innovations that could be replicated in many other towns and cities.

We offer affordable rentals in place of housing for sale (which is in many cases still out of reach for most people). We use property not just for housing, but to support co-operative and community enterprise. And we give tenants a strong voice in management, including supporting those who wish to serve on our board of directors.

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 property in Taunton town centre.

One 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 an overhaul of our tenant selection process. In other cases, social problems experienced by those who had been homeless or close to homelessness came with them into the house, causing disturbance to other tenants. The problems were resolved, but at the expense of running costs being too high.

In the light of that, 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%. Our tenants are now all successfully following the tenancy agreement and two have stepped up as board members.

The next step to profitability is to increase the scale of our operation by acquiring further property, so that overheads are spread over a greater number of units.

The model we have developed includes a number of innovative features – the use of community shares in distinct classes, the high degree of tenant participation, the regular social impact reporting, and the focus on community enterprise alongside affordable housing. We hope these will be replicated in towns across the UK – we see this as a local project with potentially national significance.

## Who we help and how

Our mission is “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.

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.

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. 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 to afford a self-contained flat. The continued freezing of benefits since then, coupled with the reduced HB offered to the under 35s, makes this a challenge.

We can now say that rents are below HB entitlements; and they are within reach of people with low entitlement (eg a younger person seeking a flat of their own) provided that they can use the £6 a week saved on broadband internet, the savings from use of the subsidised washing machine, and the £2 saved on reduced heating bills as a result of our investment in insulation, to make up any shortfall.

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 is 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.

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.

## How will we use your funds?

The funds will be employed for three purposes:

- to acquire 11A East Reach, Taunton
- to acquire the land between 13 and 15 South Street, Taunton
- to cover preliminary costs of developing new properties

	Minimum target	Optimum target	Maximum target
<b>Funding requirements</b>			
Purchase of fixed assets	170,000	<b>228,550</b>	228,550
Improvement of fixed assets	9,403	<b>59,689</b>	57,289
Start-up revenue costs	-	<b>9,500</b>	10,500
Repayment of matured investment	8,000	<b>35,764</b>	70,617
Cost of finance during build	-	<b>8,015</b>	8,324
Working capital (cash flow)	-	<b>6,380</b>	5,780
Total	187,403	<b>347,899</b>	381,061
<b>Funded by:</b>			
Community shares	187,500	<b>237,500</b>	350,000
Loans	-	<b>115,016</b>	30,116
Revenue grants and gifts	-	-	-
Capital grants & gifts	-	-	-
Total	187,500	<b>352,516</b>	380,116
% profit in 2023	6.66%	<b>6.76%</b>	7.46%

The minimum target will enable us to complete the purchase of one property – 11A East Reach – and by gaining economies of scale gradually move into a profitable position. In the event that we raise £187,500 we will proceed with this purchase. This minimum option will require an existing shareholder to donate interest (they have agreed to do this if necessary) and 15% their of shares to the CLT each year (or until equivalent planning gain is achieved).

The optimum target requires that we have raised a larger amount - £237,500 – and have additional finance available (either mortgage or further shares) of £110,000. This enables the purchase of both sites and preliminary works for the development of three further housing units on the site at South Street (the actual construction to be funded through loans from the CLT fund). It also enables a larger amount of matured investment to be repaid.

The maximum is similar, but does not require any mortgage on 11A and includes additional funds that will allow us to release some of our earliest investors.

Our desire to offer more of our earlier investors an exit is part of our wish to maintain good liquidity for investors after the first three years of their investment. So far, our members have not formally requested withdrawals of more than £5,000; however, we expect that given the opportunity, some would choose to do so. As this will enhance the reputation of community shares generally, and may enable our members to support other projects, we are keen to make this offer.

### **Premises to be acquired:**

#### **11A East Reach**

11A is, like 10 East Reach, a terraced property with a shop on the ground floor and accommodation on the first and second floors. 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).



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). Any such development will be only financed following a separate study of its financial viability.

#### **Land at 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 cost of building the new flats is estimated at £220,000. 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.

The cost per square metre is estimated at £1,800; without the cost of site acquisition, this falls to £1,313. breakdown of expenditure for this site as as follows:



### Future aspirations

We may also have further opportunities to employ funds to purchase additional property, but will only do so in the short term if there is a reliable and committed income stream that will immediately cover the cost of interest (or in the longer term, as the result of member consultation, fresh business planning and negotiation of further long term finance). The performance of these shares therefore do no rely on any speculative income or planning permission that has not already been granted.

## Financial history

The profitability of SCCLT has been poor over the last two years. At the point that we acquired our first property, we already had accrued costs of establishing the society of around £45,000; and the conversion of a listed building presented some challenges.

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. By replacing the expensive share underwriting loan with share capital or a re-mortgage; gaining economies of scale from a larger number of flats; saving money with new builds (as opposed to conversion of a listed building); and acquiring further properties that represent good value, we are now seeking to recover the investment our members have made establishing the CLT.

In 2016 there was a major adjustment to the share register to correct errors in the previous year's accounts, but even allowing for this there was a loss. In 2017 we made another loss, made up of several one-off costs that we do not expect to recur:

- £3187.50 (invoices at-risk, conditional on new housing being built at East Reach)
- £3125 (additional interest charge to be eliminated with planned remortgage)
- £1925 (one off charge for an unsuccessful planning application)
- £3000 (legal and management costs resulting from a dispute with 9 East Reach)
- £500 (rents set too low, and cost of water charges not recovered)
- £326 (arrears of delinquent tenant written off)

	2017	2016	2015
Turnover	27,154	21,589	10,668
Administrative expenses	(34,590)	(25,374)	(18,028)
Other income	7,568	9,477	3,558
Other expenses		(36,412)	
Operating profit / loss	132	(30,720)	(3,802)
Interest payable	(13,295)	(14,087)	(19,244)
Loss for the year	(13,163)	(44,807)	(23,046)
Fixed assets	351,493	342,243	340,044
Current assets	5,273	12,867	22,712
Creditors	(19,600)	(11,765)	(9,922)
Net current assets / liabilities	(14,327)	1,102	12,790
Assets less current liabilities	337,166	343,345	352,834
Long term creditors	(252,331)	(247,034)	248,322
Net assets	84,835	96,311	104,512
Called up share capital	243,898	238,022	194,626
Revenue account	(159,063)	(141,711)	(90,114)
Shareholders funds	84,835	96,311	104,512

The current liabilities include £7,882 that are loans due for repayment within the course of the year, the greater part of which we have now either paid or rescheduled through our recent remortgage with Community Land & Finance. Similarly, the

£10,000 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. Accrued losses also contribute to low shareholder funds. This would be remedied by securing planning permission for a development of flats in the vacant portion of our plot. We have spent the last year working with planners, surveyors, architects and other experts on a plan to do this.

11A East Reach combines with our garden to create a practical development plot of 0.3 acres, and is expected to deliver a consequential improvement in the value of our existing asset.

The share capital issued by the society to date has been credited with interest at the rate of 2%. Withdrawals were last open in 2015/6, and some early investors did withdraw shares and interest then. However, withdrawals have been suspended since summer 2016 in preparation for the present share offer. While the new share capital will be on the same terms as the old, if we do not achieve enough funds to purchase both the sites that are available to us, we have an offer from a large investor to donate interest and shares back to us, at least until some planning gain from existing sites is achieved. This compensates for any shortfall in profit from the lost opportunity to carry out a development.

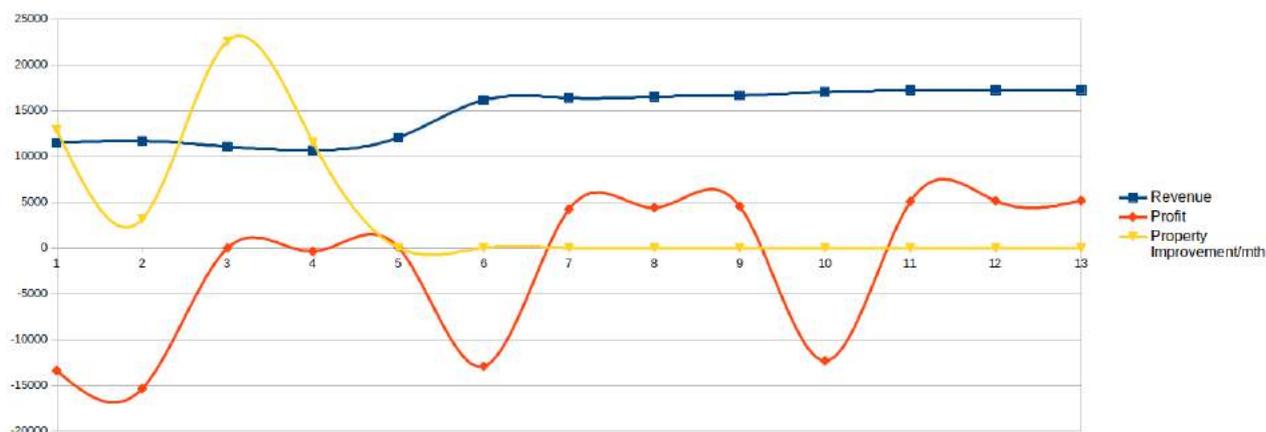


*The Hub at 10 East Reach provides credit union services, social enterprise support and green energy advice to the community.*

## Financial forecasts

We have prepared some monthly cost analyses to establish how to achieve positive cash flow and profitability by 2020. We expect to be able to allow payment of interest on some larger investments from 2019 (smaller sums being credited as additional shares), but only in 2021 will we allow withdrawals of share capital invested in this offer. From 2023, we will be able to steadily reduce the overall balance of share capital.

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



This shows that we have a route to achieve full profitability from 2020, even without further development beyond the planning permission already in place for the South Street site.

While we might still have accumulated losses on the balance sheet, this is based on the conservative assumption that the properties do not appreciate in value, and the new buildings have no value beyond the cash inputs to construct them (which are some way below present market values). So the losses on paper may in practice 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.

This is a summary forecast for the profitability and cash flow of the society, using a model developed for us by Third Sector Accountancy. The three versions here correspond with the three scenarios – minimum, optimum and maximum.

**Somerset Co-operative Community Land Trust**  
**Annual profitability and cashflow summary – minimum scenario**

	2018	2019	2020	2021	2022	2023
<b>Income and expenditure</b>						
Income	44,319	42,821	44,181	45,658	47,186	48,648
Expenditure	(56,840)	(16,156)	(16,431)	(16,711)	(16,893)	(17,078)
Operating surplus (EBITDA)	(12,521)	26,665	27,750	28,947	30,293	31,570
Share interest	(11,641)	(16,987)	(17,409)	(17,844)	(17,851)	(17,857)
Interest on loans	(13,226)	(11,668)	(11,390)	(11,099)	(10,793)	(10,471)
Net surplus/(deficit)	(37,387)	(1,990)	(1,050)	4	1,650	3,241
10 East Reach	(26,985)	(4,144)	(3,591)	(2,795)	(1,523)	(100)
11A East Reach	(10,403)	2,155	2,542	2,800	3,172	3,341
South Street	-	-	-	-	-	-
Net surplus/(deficit)	(37,387)	(1,990)	(1,050)	4	1,650	3,241
Profit margin		(0)		0.01%	3.50%	6.66%
Debt service ratio		93.06%	96.36%	100.02%	105.76%	111.44%
<b>Cashflow</b>						
Cash b/f	(6,158)	6,835	609	5,395	11,270	6,489
Net surplus/(deficit)	(37,387)	(1,990)	(1,050)	4	1,650	3,241
New borrowing	230,100	-	-	-	-	-
Shares issued (inc. interest)	228,941	12,740	13,057	13,383	13,388	13,393
Share withdrawals	(8,000)	(1,200)	(1,200)	(1,200)	(13,200)	(13,200)
Debt repayments	(120,323)	126,512	(6,021)	(6,312)	(6,618)	(6,939)
Capital expenditure	(280,338)	(142,289)	-	-	-	-
<b>Cash c/f</b>	<b>6,835</b>	<b>609</b>	<b>5,395</b>	<b>11,270</b>	<b>6,489</b>	<b>2,984</b>
10 East Reach	28,748	14,499	10,716	7,597	(6,643)	(19,948)
11A East Reach	(21,913)	(13,891)	(5,320)	3,674	13,133	22,931
South Street	-	-	-	-	-	-
	6,835	609	5,395	11,270	6,489	2,984
check	(0)	(0)	-	-	-	(0)

**Somerset Co-operative Community Land Trust**  
**Annual profitability and cashflow summary – optimum scenario**

	2018	2019	2020	2021	2022	2023
<b>Income and expenditure</b>						
Income	44,832	47,345	67,313	69,480	71,789	73,984
Expenditure	(82,475)	(17,877)	(23,390)	(23,773)	(24,060)	(24,353)
Operating surplus (EBITDA)	(37,642)	29,468	43,923	45,706	47,729	49,631
Share interest	(14,168)	(22,012)	(22,772)	(23,558)	(23,755)	(23,957)
Interest on loans	(15,305)	(23,927)	(22,335)	(21,808)	(21,255)	(20,675)
Net surplus/(deficit)	(67,115)	(16,471)	(1,183)	341	2,719	4,999
10 East Reach	(29,502)	(3,786)	(3,363)	(2,704)	(1,566)	(292)
11A East Reach	(8,501)	(292)	190	547	1,046	1,405
South Street	(29,113)	(12,393)	1,990	2,498	3,239	3,886
Net surplus/(deficit)	(67,115)	(16,471)	(1,183)	341	2,719	4,999
Profit margin		-		0.49%	3.79%	6.76%
Debt service ratio		64.15%	97.38%	100.75%	106.04%	111.20%
<b>Cashflow</b>						
Cash b/f	(6,173)	35,725	5,487	11,659	12,389	7,844
Net surplus/(deficit)	(67,115)	(16,471)	(1,183)	341	2,719	4,999
New borrowing	345,116	260,662	-	-	-	-
Shares issued (inc. interest)	281,468	17,610	18,217	11,779	11,878	11,978
Share withdrawals	(15,000)	-	-	-	(7,200)	(7,200)
Debt repayments	(222,232)	(149,750)	(10,863)	(11,389)	(11,942)	(12,522)
Capital expenditure	(280,338)	(142,289)	-	-	-	-
<b>Cash c/f</b>	<b>35,725</b>	<b>5,487</b>	<b>11,659</b>	<b>12,389</b>	<b>7,844</b>	<b>5,099</b>
10 East Reach	36,466	23,818	22,582	19,082	9,237	322
11A East Reach	(13,255)	(10,448)	(7,082)	(5,233)	(2,937)	(315)
South Street	12,514	(7,882)	(3,841)	(1,460)	1,543	5,092
	<b>35,725</b>	<b>5,487</b>	<b>11,659</b>	<b>12,389</b>	<b>7,844</b>	<b>5,099</b>
check	-	0	0	0	0	0

**Somerset Co-operative Community Land Trust**  
**Annual profitability and cashflow summary – maximum scenario**

	2018	2019	2020	2021	2022	2023
<b>Income and expenditure</b>						
Income	44,832	47,345	67,313	69,480	71,789	73,984
Expenditure	(83,226)	(17,877)	(23,390)	(23,773)	(24,060)	(24,353)
Operating surplus (EBITDA)	(38,393)	29,468	43,923	45,706	47,729	49,631
Share interest	(15,018)	(25,165)	(25,803)	(26,462)	(26,724)	(26,992)
Interest on loans	(13,719)	(18,066)	(18,497)	(18,059)	(17,600)	(17,118)
Net surplus/(deficit)	(67,131)	(13,763)	(377)	1,185	3,405	5,520
10 East Reach	(28,464)	(1,680)	(1,055)	(120)	1,118	2,451
11A East Reach	(9,299)	119	436	584	879	1,044
South Street	(29,367)	(12,203)	242	721	1,407	2,025
Net surplus/(deficit)	(67,131)	(13,763)	(377)	1,185	3,405	5,520
Profit margin		-		1.71%	4.74%	7.46%
Debt service ratio		68.16%	99.15%	102.66%	107.68%	112.51%
<b>Cashflow</b>						
Cash b/f	(2,111)	22,549	4,914	10,548	11,185	10,714
Net surplus/(deficit)	(67,131)	(13,763)	(377)	1,185	3,405	5,520
New borrowing	260,216	226,613	-	-	-	-
Shares issued (inc. interest)	394,818	18,874	19,352	13,231	13,362	13,496
Share withdrawals	(60,000)	-	(4,200)	(4,200)	(7,200)	(7,200)
Debt repayments	(222,905)	(107,069)	(9,141)	(9,579)	(10,038)	(10,520)
Capital expenditure	(280,338)	(142,289)	-	-	-	-
<b>Cash c/f</b>	<b>22,549</b>	<b>4,914</b>	<b>10,548</b>	<b>11,185</b>	<b>10,714</b>	<b>12,010</b>
10 East Reach	31,448	19,831	14,502	8,095	(409)	(7,952)
11A East Reach	(25,913)	(18,400)	(10,356)	(4,535)	1,681	8,177
South Street	17,014	3,483	6,402	7,626	9,442	11,785
	22,549	4,914	10,548	11,185	10,714	12,010
check	-	0	0	0	0	0

**Balance Sheet – minimum scenario**

	2018	2019	2020	2021	2022	2023
Fixed assets	536,102	536,102	536,102	536,102	536,102	536,102
Net current assets	(3,232)	609	5,395	11,270	6,489	2,984
Assets before term liabilities	532,870	536,711	541,497	547,372	542,591	539,086
Long term liabilities	(232,008)	(226,866)	(221,472)	(215,811)	(209,871)	(203,637)
Net assets	300,862	309,844	320,026	331,561	332,721	335,449
Represented by						
Called up share capital	464,839	476,379	488,236	500,419	500,607	500,800
Revenue account	(163,977)	(166,535)	(168,211)	(168,858)	(167,886)	(165,351)
Shareholders funds	300,862	309,844	320,026	331,561	332,721	335,449

**Balance Sheet – optimum scenario**

	2018	2019	2020	2021	2022	2023
Fixed assets	631,831	774,120	774,120	774,120	774,120	774,120
Net current assets	24,696	5,487	11,659	12,389	7,844	5,099
Assets before term liabilities	656,528	779,607	785,779	786,509	781,964	779,219
Long term liabilities	(347,306)	(469,210)	(458,347)	(446,957)	(435,014)	(422,491)
Net assets	309,221	310,397	327,432	339,552	346,949	356,727
Represented by						
Called up share capital	510,366	527,976	546,193	557,972	562,650	567,428
Revenue account	(201,145)	(217,579)	(218,761)	(218,420)	(215,700)	(210,700)
Shareholders funds	309,221	310,397	327,432	339,552	346,949	356,727

**Balance Sheet – maximum scenario**

	2018	2019	2020	2021	2022	2023
Fixed assets	631,831	774,120	774,120	774,120	774,120	774,120
Net current assets	12,482	4,914	10,548	11,185	10,714	12,010
Assets before term liabilities	644,313	779,034	784,668	785,305	784,834	786,130
Long term liabilities	(262,692)	(392,268)	(383,127)	(373,547)	(363,508)	(352,987)
Net assets	381,621	386,766	401,541	411,758	421,326	433,143
Represented by						
Called up share capital	578,716	597,590	612,742	621,774	627,936	634,232
Revenue account	(197,095)	(210,824)	(211,201)	(210,015)	(206,610)	(201,089)
Shareholders funds	381,621	386,766	401,541	411,758	421,326	433,143

# 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. Alex's work for SCS CIC does sometimes give rise to conflicts of interest, These are recorded on our register of interests, and he does not take part in decisions that relate to SCS CIC.

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 Staplegrove, 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. Her background is in the health food and eco friendly retail industry. 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 auto immune 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. As a tenant of the CLT, there is the potential for a conflict of interest where a matter for board discussion relating to her tenancy specifically. In that event, she would not take part in that discussion.

***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 was appointed to be a director in April.

### ***Duncan Francis***

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.

Duncan's work for SCS CIC sometimes gives rise to a conflict of interest, which is managed as for Alex Lawrie, above.

### ***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. As a tenant of the CLT, there is the potential for a conflict of interest where a matter for board discussion relating to her tenancy specifically. In that event, she would not take part in that discussion.

### ***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.

# Being a member

As a member of SCCLT, you can participate in decision making and receive information about the performance of the society. Members are welcome to observe board meetings and can request minutes and agendas, including quarterly management accounts (these documents will also be available through the Dropbox website); a newsletter will be produced and circulated to all members (normally by email) at least twice a year; and as well as the Annual General Meeting, we will organise other members' events and open days. A copy of our rules can be downloaded from [www.somersetcclt.org.uk](http://www.somersetcclt.org.uk).



There are three classes of membership: community, tenant and social investor. Community members must live or work in Somerset. Tenants must be current or prospective tenants of the CLT (no transactions are required to qualify for membership). Anyone can be a social investor. No more than a quarter of board members can be from outside Somerset (this would allow a further three investor directors to be added at present).

At General Meetings, in the event of a counted vote, a form of weighted voting is used to ensure that the CLT remains locally controlled. Social investor members will be limited to 25% of votes; tenants 45% of votes; and community members 30%. The following qualifications apply to this rule:

- i. if the effect of this rule would be to give a person more than 25% of the total voting strength in a meeting attended by four or more community members, then for the duration of that meeting only the voting share for the class to which they belong will be reduced, and the voting share of other community member classes increased pro rata.
- ii. If a class has no members in attendance, the shares of the voting strength for other classes are unaffected.
- iii. a motion to suspend weighted voting may be passed provided it has unanimous support. Following such a motion, votes will be on a simple one member, one vote basis, subject to the votes of non-community members being capped at no more than 25% of the overall vote (applying, if necessary, the method described above to achieve this).

The rules have a statutory asset lock: this means that in the event of dissolution all remaining assets will be passed to another asset locked organisation with similar aims. Members cannot share in any profits or assets, and all transactions must be for full consideration.

The rules also specify certain 'key decisions' that must be the subject of consultation with members before they are implemented – see the rules for details. They also require that in addition to the financial accounts for the year, a social impact report is prepared.

Shares may be withdrawn but this right of withdrawal can be suspended by the board when the CLT needs to build up its capital, and this is expected to be the case during 2019 and 2020. We will usually prioritise withdrawal requests from investors whose funds have been with the society for more than three years. In the event of the CLT ceasing to trade, shareholders will be repaid but only after all creditors have been repaid.

In the event of the death of a shareholder, the repaid value of the shares will normally be added to the estate for probate purposes, unless you have nominated a recipient for the value of the shares.

### **More information**

If you do not already have a copy of our business plan, please do request it from [landtrust@somerset.coop](mailto:landtrust@somerset.coop) (or phone 0300 456 2265). This offer cannot be understood properly without reference to the business plan. The following documents are available on request, or by download from our web pages at [www.somersetcclt.org.uk](http://www.somersetcclt.org.uk):

- ◆ Equality policy
- ◆ Sustainability policy
- ◆ Recent financial and social accounts
- ◆ Rules of the Society

## **Risks**

### ***Failure to secure further planning permissions***

There is the possibility that in the course of pursuing further acquisitions and developments, SCCLT will incur additional costs not considered in this offer. In order to avoid this damaging the interests of members, we will commit to only spending resources on property development when those costs are either separately funded, fully 'at risk' or pro bono.

### ***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 to increase the organisational intelligence and mitigate this risk.

### ***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.

### ***Delinquent tenants***

Our procedures for enforcing the tenancy agreements are now much more robust, and we continue to benefit from expert advice from an experienced lettings consultant. We have processes and template documents ready for either section 21 or section 8 evictions as necessary.

### ***Universal credit***

We have adopted tighter procedures for working with UC claimants, and we are now able to more closely monitor the progress of claims especially in the crucial first six weeks. We have also prepared a library of templates so that we can submit claims promptly, and we will also make increased use of guarantors for tenancies.

### ***Cash shortages prevent withdrawal after three years***

This risk does not necessarily affect the value of your shares but may prevent you from withdrawing as much as you want immediately. If this is the case, the board is committed to pursuing alternative finance options to enable withdrawals to meet demand, subject to the need to maintain profitability. This may include remortgaging, appealing for fresh investment from new and existing members, and selling assets where it clearly benefits the community for us to do so.



## **Warning**

You may lose the value of your shares. As a Registered Society, Somerset Co-operative Community Land Trust Limited does not need to be authorised by the FSA to take deposits by issuing these withdrawable shares; the money you pay for your shares is not safeguarded by any depositor protection scheme or dispute resolution scheme.

Our shares are not “investments” for the purposes of the Financial Services and Markets Act 2000. So you do not have the level of protection that you might otherwise be offered by the Act. In particular, this document does not need approval (and has not been approved) by an “approved person”. This document is also not regulated by the Prospectus Regulations 2005. Those regulations do not apply because there is a specific exemption for Industrial and Provident Societies.

Should the CLT get into financial difficulties:

- ◆ We may have to suspend your withdrawals of shares
- ◆ We may have to write down the value of your shares
- ◆ You may lose all the money you pay for your shares

# Applying for shares

This is an invitation to purchase withdrawable share capital in Somerset Co-operative Community Land Trust Limited, a Registered Society no. 30745. Please read it carefully. You must be over 16 and a resident UK citizen to apply; only individual applications can be accepted, so couples wishing to invest may wish to complete two application forms each for the amount to be held in their name. Corporate applicants should contact us directly for further advice. **Please make your decision based solely on the information in this document and the accompanying business plan.**

You can apply through the Ethex website – see [www.ethex.org.uk](http://www.ethex.org.uk). There is an application form for this share offer, you can pay electronically, and they will hold your funds securely until the terms of this offer are met. Alternatively, the form at the end of this offer document can be sent by post with a cheque. We do also accept applications for just a single £1 share from Somerset residents at any time on paper forms available from our office or our website (our membership offer).

The minimum investment is £500 (unless you are a resident of Somerset, as noted above). The maximum amount that any one person can hold in our equity is £50,000, and in the case of this share offer the maximum that will be accepted is £18,750. Each share has a value of £1, which will not increase but can decrease if the society suffers sustained losses.

The only financial benefit you will gain is from interest: our aim is to pay 4.5%. Share interest will be credited to share accounts as additional investment, but sums between £50 and £250 will normally be payable in cash.

## Terms and Conditions

You cannot withdraw your application for shares after we receive your application form. We may decide not to issue shares to you, or issue to you fewer shares than you apply for. We may issue shares and employ funds at any time after meeting the minimum funding requirement.

Please try to get your application in before the deadline. The board do have discretion to accept late investments, and to extend the closing date of the offer by up to three months if we are confident that the business plan remains current and we have yet to reach the maximum.

Ethex, who are hosting this share issue, will acknowledge receipt of your payment and application. They may cash cheques and accept payments immediately, but until we issue shares to you Ethex will hold the money on trust for you. They will return your funds to you if we decide not to issue shares to you, or the offer is not successful.

If the share offer is oversubscribed, we will prefer investment local to Somerset and allocate shares pro-rata to investors from outside the county. The money due as payment for shares will belong to us (and we no longer hold it on trust for you) as soon as we issue shares to you. We will not pay you interest on any money we return to you. Please note that should you wish to increase your holding in the future, we do not allow individual holdings in excess of £50,000.

Your details will be kept on a computerised database, but they will not be given to a third party without your permission. We may need to see proof of your identity, in order to comply with money laundering regulations.

# Application form

Anyone supporting our objectives can become a member of the Land Trust. Members rights and responsibilities are set out in the rules of the society.

Applications will be considered by the board and may be rejected at their sole discretion, in which case funds will be promptly returned. You can apply and pay online at [ethex.org.uk/somersetclt](http://ethex.org.uk/somersetclt).



Name

Organisation *(only if shares are to be held by a corporate body)*

Address

Telephone

Email

Please tick if you wish us to use email for most communications relating to investment and membership.

Nationality  Date of birth

I wish to apply for  £1 withdrawable shares in Somerset Co-operative Community Land Trust Limited. I am (please tick one only):

- a Somerset resident, and I am applying for between 50 and 18,750 shares.
- already a member of the CLT, applying for up to 18,750 additional shares.
- a UK resident, and I am applying for no less than 500 shares and no more than 18,750.

I understand that, if and when accepted, this application forms a contract subject to the law of England and Wales on the Terms of the Share Offer document. I understand that the payment supporting this Application will be presented upon receipt and I warrant that it will be paid on first presentation. I understand that my Application will be handled by Ethex who may need to contact me for further information to be able to complete my Application. All applications will be acknowledged.

I understand that this Application may be withdrawn if a supplementary Share Offer document is issued, but not otherwise; the Board reserves the right to extend the Closing Date; if the Offer is oversubscribed it is possible that an otherwise eligible Application will not be accepted in part or in whole; and that if insufficient funds are raised by the Offer, my payment may be returned. I confirm that:

- I have read the Share Offer document, including the Risk Factors, and am not relying on any information or representation relating to the Offer which is not in the Share Offer document, Rules or Business Plan;
- I have not relied on the Society or its advisers for any financial advice, and this is the only application I am making;

All applicants authorise the Society to make such enquiries as are deemed necessary to confirm the eligibility of my Application and may be asked to provide additional information including evidence of identity; and consent to using any email address provided above as the primary means of communication. The data that you provide on this application form will be stored within a computerised database, by the Receiving Agent, Ethex and the Land Trust. Your information will only be used for the purposes of this Share Offer and will not be disclosed to any third party.

Signed by the applicant:  Date:

**Please post to Ethex, The Old Music Hall, 106-108 Cowley Road, Oxford, OX4 1JE (cheques payable to Ethex Investment Club Ltd) – please ensure sufficient postage to arrive before the closing date.**