

A Brief Introduction to Community Benefit Societies (CBS)

For anyone interested in the ultimate (pirate) democratic community control vehicle.

Collated by Deana Wildgoose authored by Ian Wilson

CBS's, what they are and why chose one for the vehicle to enable the community to take on local spaces and places.

It asks some common questions – and answers as simply as possible. More information can be found by following the links at the end.

So – here we go! And if your question has not been answered feel free to ask! Just email Deana or Ian at @thinkfc.org.uk

How long have CBS's been around? CBS's have been around for over 100 years, developed as part of the cooperative movement, previously known as Industrial and Provident Societies, the name changed to Community Benefit Societies in 2014.

How come I've never heard of a CBS? You might not have heard of them, but you will have heard of a community shop or pub – most of those have used a CBS as their legal structure.

Who owns it? A CBS is 'owned' by its members – it is independent of any other body, and no one individual can have a greater ownership than any other.

Who regulates them? The Financial Conduct Authority currently regulates CBS - there are fewer administrative and legal requirements than for a limited company regulated by Companies House.

What are the key features of CBS's?...

...CBS's are type of co-operative and are formed primarily to benefit a defined community. They are enterprises (not charities) and must exist to carry out a business or trade. The surplus they make is ploughed back into the community they have been set up to benefit, rather than being distributed to members as happens in other types of co-operative.

...CBS's are run by a committee elected by all the members. At least 3 founding members are required to set up a CBS – they decide the purpose and rules.

...CBS members can be individuals, organisations or groups that 'join' and agree with the purposes and rules that are set by the founding members.

...CBS members have 'shares'; every member has one vote irrespective of the number of shares.

(Note the shares aren't like stock market shares – they don't go up or down, though they are at risk if the CBS stops trading. Each member 'share' is their contribution, they can only be sold back to the CBS and they cannot be transferred, providing the CBS has the money, they can be sold back for their 'share' value at any time)

...CBS's can have a statutory asset lock, this means any assets value must stay for the benefit of the community, and, as a result of the asset lock CBS can apply for charitable tax status from HMRC. *(Note this does not make it a charity – it is not registered with the Charity Commission – but it does give some benefits eg there is no corporation tax on any surpluses made and the CBS can get mandatory business rate relief up to 80%, with an additional discretionary 20% available from the local council, same as for charities. A non-charitable CBS can still apply for council tax relief however this is 100% at the discretion of the Council. Unlike charities CBS's do not qualify for gift aid.)*

What about the liability of the committee? Just like a company the CBS is a separate legal entity and the people managing it (known as Directors) are separate from the organisation. It is the CBS that carries the liability not individuals. *(an interesting fact is in law Directors of a company are assumed to be 'professional' and so there is a higher standard expected, whereas, because a CBS is a 'cooperative', made up of 'working people' they are assumed to act in 'good faith' and not be held to "professionals" standards)*

What's are the FUNDING advantages of a CBS

- A CBS can issue withdrawable shares to the public without needing to comply with the restrictions on financial promotions which make public share offers normally very expensive. This money can then be spent as the members decide.
- A CBS makes money from offering a product or service
- A CBS is an eligible organisation for most funding.

How old can you be to join a CBS ? The minimum age limit for members of a CBS is 16.

How much are the shares ? The members decide this *(we have suggested a session just on share offers)* but they can be any amount. Some CBS choose to have very low rates if the purpose is more about getting people involved; others can have a range - with a minimum eg £50 to a maximum £20,000.

(Note Ian Wilson, THINK FC Director is one of 50 people in the country able to advise on Community Share Offers as part of the Community Shares Unit – the body that oversees offers)

What about annual membership fees ? Some CBS don't do share offers, and members might have a membership fee instead – like a club. This CBS, because it is planning to do share offers, will probably find it easier not to have an annual membership fee. People that want to be members will buy shares.

What if I can't afford a share? It is possible for people to pay for their share in instalments, in which case they become a member when they have finished paying. It is possible for people to 'volunteer' to earn their share – but this can get messy !

I'm a member, and I live in the geographical area of benefit – can I benefit from the surplus?

Yes – as a person in the beneficial area you can benefit – you just can't benefit just by being a member – so a member living somewhere else could not benefit from the surplus the CBS makes. They can still benefit from their share ownership, for example any dividend or interest on the share. Anyone can use the enterprising activities of the CBS.

What if I have some funds sitting in a bank account earning didly squat? If people want to support the CBS they can buy shares, there may be income tax advantages in investing in this way if they keep it them for at least three years. When a share offer is arranged then the expected rate of interest or dividend is included in the information about a share offer.

So what about interest on shares? The rules can allow people to get interest on shares – rates must be 'reasonable' and only necessary to run the business. Often CBS rules include a clause that any interest on members stake holdings are reinvested into the CBS. This may put some people off from investing. People can also lend money to a CBS through a loan though this does not give them a vote. Loans tend to be repayable with interest.

What about if it goes bust? The CBS rules will state that on dissolution assets should be transferred to some other body with similar objects. Any members with shares in it are paid after other creditors – therefore investment is 'at risk'. *(It is worth noting that members cannot take out their shares and cause a CBS to 'go bust' – there is a rule that prevents this.)* The track record on community owned businesses is very good with over 90% still trading after 5 years and 100% of community owned pubs are still trading (pre Corona).

SOME QUESTIONS TO CONSIDER

What will be your defined area of benefit ?

Should your CBS have a statutory asset lock?

Should you go for HMRC charitable tax status?

Will interest be offered to members?

Community Share Offer and loans – how will they run, what will we charge? NB This will be suggested by the professional advisers based on the business plan and cash flow forecast

SOME USEFUL LINKS

Coops UK:

<https://www.uk.coop/>

Community share unit and offers <https://communityshares.org.uk/find-out-more/about-community-shares-unit>

The Wicked Spread sheet has been designed to help people wishing to take over assets for community control and use – this is available for free under open source licence. Deana Wildgoose, Director of TH!NK FC and Associate of C.A.N (Co-operatives Assistance Network) can offer workshops or guidance on this – contact Deana on 07974 260453 or email deana@thinkfc.org.uk

For CBS matters contact Ian Wilson @ ian@thinkfc.org.uk

QUESTIONS / NOTES

WHAT AM I?

I give legitimate power to the people
I thrive on sharing and trust
I'm an entity that's tried and tested
To know me, you'll see, is a must

Through my unique and open share offer
I contribute to a communities health
Securing buildings, and assets and spaces
Establishing a genuine common wealth

Self - help, I empower people to strive for
Responsibility, I support people to take
Through solidarity and making connections
Stronger communitites I help to create

I'm independent and owned by my members
Through equality everyone has a say
This workshop'll show how I'll help you
Everyone's welcome - come learn the CBS way

INTERESTED?

Deana @ thinkfc.org.uk
07974260453
Ian@thinkfc.org.uk
07969 810339

**CBS AKA
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BENEFIT SOCIETY
A COMMON
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