Converting the ELC to a Charitable Community Benefit Society

FAQ's

FINANCIAL IMPLICATIONS

How will this conversion affect my current investments or shares in the ELC?

Answer: Your investments and shares will transfer seamlessly to the new charitable entity without any changes to their value or your rights as a shareholder.

Will a Charitable CBS still be allowed to pay interest on shares?

Answer: Yes. We have used the Coops UK model rules for Charitable CBS's which are specifically designed to comply with all the relevant charity law. Notably around the payment of share interest, which will still be possible as we have never treated it as a distribution of profits and our rules determine this.

Will there be any tax implications for investors due to this conversion?

Answer: The conversion itself should not have any adverse tax implications for investors. In fact, as a charitable entity, we can benefit from tax exemptions and reliefs, which could potentially enhance the value and impact of your investments. Please note that investment in the ELC is not eligible for SITR or SEIS tax relief and investor members should make their own arrangements to pay any tax due to HMRC.

How will the conversion impact the financial stability and future profitability of the ELC?

Answer: Becoming a charitable entity can increase our funding opportunities and access to grants, tax reliefs, and donations. This should enhance our financial stability and sustainability, potentially leading to better returns on investment.

How much will the conversion cost?

Answer: Having received funding in order to carry out a lot of the work, the costs to date have been very low. Registering the new society with the FCA cost £1,000. The transfer of engagements will cost £500 to carry out all the work required by the FCA. There will be further legal work in terms of changing the names on contracts, title deeds, leases etc. We are awaiting a quote and will update this page once confirmed.
There will then be a final cost of £350 for Coops UK to submit and handle our application to HMRC for charitable status.

As the new entity will be charitable, there won't be stamp duty or capital gains tax incurred on the transfer of assets.

Any of the admin costs are likely to be dwarfed by the potential access to grant funding enabled by charitable status.

GOVERNANCE AND CONTROL

How will the governance structure change after the conversion?

Answer: The governance structure will include additional oversight in line with charitable status requirements, but the core governance principles will remain the same. Our commitment to community involvement and transparent decision-making will continue.

Will investor members have the same level of influence and voting rights in the new structure?

Answer: Yes, investor members will retain their influence and voting rights. The conversion aims to enhance our mission without diminishing member engagement or control.

Will we be regulated by the Charity Commission?

Answer: No. Charitable CBS's are registered with the FCA and are not regulated by the Charity Commission and do not have to report to the Commission. HMRC will determine the charitable status of the society.

What's different about the new rules?

Answer: Our current rules are based on the Somerset model CBS rules. As we have received funding to work with Coops UK, we have used the Coops UK model rules. Model rules are a version that have been pre-approved by the FCA. They can be amended but large parts of the rules are required by law. We have made amendments to the model Coops UK rules that mean all of the parts that are unique to the ELC have been transferred. This includes things such as:

- The membership categories
- The composition of the board
- The weighted voting by membership category

Will the new Charitable CBS need to have objects that meet the definitions of charitable purpose?

Answer: Yes, they will and we have combined the existing objects of the ELC and the ELT and reworded them so that they comply with charitable purposes without losing any of the intention and meaning of our current rules. The new objects can be seen in the rules linked on our dedicated webpage.

OPERATIONAL CHANGES

How will this change affect the day-to-day operations of the ELC?

Answer: The day-to-day operations will largely remain the same. The primary changes will be in our enhanced ability to raise funds and our increased compliance with charitable regulations.

What new opportunities will the ELC be able to pursue as a charitable entity that it couldn't before?

Answer: As a charitable entity, we will be able to access a wider range of grants, receive tax-deductible donations, and benefit from tax reliefs like Gift Aid. This will enable us to expand our projects and impact more effectively. We will also be able to received donations of land and farms without us or the donor incurring tax liabilities.

RISKS AND CONCERNS

Are there any risks associated with this conversion?

Answer: While the conversion process involves thorough legal and administrative work, the potential benefits far outweigh the risks. We have carefully planned this transition to ensure minimal disruption and maximum benefit and have worked with governance specialists throughout.

What happens if the conversion is not approved at the AGM?

Answer: If the conversion is not approved, we will continue to operate as a Community Benefit Society. However, we believe that the charitable status will significantly enhance our ability to fulfil our mission and secure additional resources.

LONG-TERM VISION

How does this conversion align with the long-term goals of the ELC?

Answer: This conversion is a strategic move to align with our long-term goals of sustainable development and increased impact. By becoming a charitable entity, we can better support our current projects and explore new opportunities that align with our mission.

How will this change benefit the community and the environment?

Answer: The conversion will allow us to channel more resources into community projects and environmental initiatives. Increased funding and tax benefits will enable us to expand our reach and effectiveness in promoting ecological land use and community well-being.

ADMINISTRATIVE DETAILS

What steps are involved in the conversion process?

Answer: The conversion process involves member consultation, legal restructuring, and approval at the AGM. We will then register with the appropriate regulatory bodies and complete any necessary administrative changes.

How long will the conversion process take, and how will you keep us informed?

Answer: The conversion process is expected to take around six months from the AGM approval. We will keep you informed at each stage through regular updates and meetings.