What, why and how to start or convert to one Community benefit societies
Community benefit societies: What, why and how to start or convert to one

More and more social economy organisations and charities are forming or converting to a community benefit society.

From local community organisations to high profile charities, they offer a way to boost community engagement, raise finance and secure charitable status and confidence from investors.

What is a community benefit society?

A community benefit society is a legal form for organisations that wish to operate on a not for profit basis for purposes that benefit the community as a whole.

It is a popular choice for organisations that want to get the support of a community by giving them ownership of key assets - such as pubs, landmark buildings, housing schemes and even piers. Often they use the model to raise finance from people in that community through a community share issue.

Community benefit societies are owned by the people that live and work or support the community it is set up to benefit. Members hold a least one share in the organisation and, unlike in a limited company, the number of votes a member has does not increase with the number of shares they hold, making them a democratic model that works well for social economy organisations and charities.

Case study: Bovey Tracey

In the picturesque market town of Bovey Tracey at the edge of Dartmoor, a long-closed pub and tired looking street are in need of redevelopment. Locals want to transform the area by pooling their money to create a community owned arts, cinema and theatre complex. To make it happen they have formed a community benefit society with help from Co-operatives UK. They aim in the first instance to raise £290,000 in community shares from local people so that they can begin the development, demonstrate local commitment to the work and leverage further funding.
Why start or convert to a community benefit society

A community benefit society is an attractive alternative to a limited company for those organisations that have a social purpose and want to re-invest any profits made back into the society rather than existing to maximising financial returns for members.

- **Engagement:** Because community benefit societies are owned by the community, with each member having one vote, they are an effective way to give people a real stake and an equal say in how the organisation operates.

- **Community shares:** The community benefit society model is the most popular vehicle for organisations to raise finance from local people through a community share issue, with over 60,000 people investing over £60 million in community shares over the last five years.

- **Asset lock:** The optional statutory asset means the organisation can offer funders and social investors certainty that members cannot benefit financially from the assets of the society should it wind up.

- **Charitable status:** Community benefit societies that do not opt for a statutory asset lock, but which have charitable objects and exist for public benefit, may apply for charitable status from HMRC.

- **Tax relief:** Members who purchase shares in a community benefit society are potentially eligible for tax reliefs including SITR, EIS and SEIS on their investment.

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**Case study: Indycube**

Indycube has always been at the forefront – it offered a co-working space in Wales as the idea was taking off, and established itself as a Community Interest Company (CIC) when that was the legal form of choice for social enterprises. In 2016 it saw the need for a co-op for freelance workers offering back office services – office space, invoicing, insurance – that makes life more secure for the self-employed. It wanted this service to be owned by the freelancers themselves, and so with support from Co-operatives UK, converted from a CIC to a community benefit society.

Now, having teamed up with the trade union, Community, it is rolling out the offer across the UK, growing quickly and ensuring that it’s the freelancer members who direct what the organisation does and the freelancers and the community as a whole that benefits from its successes.
How to start a community benefit society

1 Access our FREE Simply Legal guide if you think a community benefit society could work for your organisation, check whether it meets the conditions. Our Simply Legal guide provides a useful summary.

2 Choose a governing document. It is easier and cheaper to register using a set of 'model rules' produced by a sponsoring body such as Co-operatives UK.

3 Apply to register the society with the FCA. We can provide a complete registration service using our FCA approved model rules, making the process cheaper and quicker.

“The guidance given to us by Co-operatives UK in setting up as a Community Benefit Society with charitable aims has been invaluable. We could not have done it without them, thank you! They have steered us and made sure we filled in all the right paperwork in order to get to our goal which we have now reached.”

Shelly Quinton-Hulme, Friends of Stretford Public Hall

1 Simply Legal: http://www.uk.coop/simplylegal
2 Co-operatives UK Registration Packages: https://www.uk.coop/advice-services-0/registrations
How to convert to a community benefit society

Convert from an existing limited company or community interest company. The process does differ slightly depending on the type of legal form looking to convert. We can guide you through the process, from developing new rules to registering the new society with the FCA.

Convert from a charity to a community benefit society. The Charity Commission accepts conversions to community benefit societies so long as there are adequate assurances that charitable assets would be protected. We have led this work, working closely with the Charity Commission and HMRC, and can guide your charity through the conversion.

Case study: Clevedon Pier

Built in 1840 and described by John Betjeman as “the most beautiful pier in England,” Clevedon Pier in Somerset was beginning to fall into disrepair by the 1970s. Clevedon Pier and Heritage Trust, a charity registered as a company limited by guarantee, was formed to raise money in order to restore this iconic pier. With 90% of the funding secured through grants, it sought to raise the final 10% from local people in order to not only bring in money but also give the people of Clevedon an ownership stake.

To do this the company converted to a community benefit society. Co-operatives UK assisted the process, liaising with the Charity Commission to ensure that the pier’s charitable status was preserved. It enabled the company to raise a further £250,000 investment from 1,100 local people, allowing the pier to be restored and to be brought into community ownership.

“Co-operatives UK provided tremendous support in our recent, ground-breaking conversion to a Community Benefit Society. The team guided us through the complex legal challenges extremely efficiently. The Co-operatives UK team has been a major contributor to an amazing success story.”

Simon Opie, Chief Executive, Hastings Pier
Get support

Co-operatives UK is a pioneer in community benefit societies, having developed FCA approved model rules, led engagement with the Charity Commission and worked to develop some of the most innovative community benefit societies.

We can help you:

- Draw up your rules
- Register with the FCA
- Deal with the Charity Commission and HMRC for you
- Get to grips with community shares
- Signpost to other support available

Contact us

See how Co-operatives UK can help:

www.uk.coop/advice • advice@uk.coop • 0161 214 1750

You can also access online resources:

www.thehive.coop • www.uk.coop/simplylegal