

Calder Valley Community Land Trust
Trust Board Meeting
20th November, 2023
Draft Share Withdrawal Policy

1. Introduction

Calder Valley Community Land Trust (CVCLT or “the Society”) is a registered society under the Co-operative and Community Benefit Societies Act 2014 and is owned by its Members, many of which have joined the society through the purchase of Community Shares.

This policy outlines the position of CVCLT regarding the conditions of withdrawal of shareholdings held with the society. A summary of the content is provided below, with greater detail provided throughout the remainder of the policy.

The policy is in line with the share offer documents for the pioneer share offer for Birks Court, and the Fielden Acre share offer in 2021, whilst also ensuring that the policy is in line with the financial assumptions set out in that offer, and with best current legal and technical guidance.

2. Summary

- As set out in CVCLT rules (the “Rules”) share capital may be withdrawn without penalty at the discretion of the Management Committee (the “Committee”).
- The Rules also allow the Committee to specify a maximum total withdrawal for each financial year or to suspend withdrawals.
- The maximum withdrawal per financial year is limited to a percentage of the Society's total shareholding as proposed in section 4. Note, changes to this may be made at the discretion of the Board.
- Notices for withdrawal are made through the completion of a Share Withdrawal Form with applications for withdrawal considered on a first come first served basis. Shares are non-withdrawable for the first 3 years they are held in the Society.
- Interest of shares held in the society accumulate at the end of each financial year and are credited to a members’ share account. Members can request a summary of their total shareholding at any time.
- The rate of interest and date from which it accumulates on the purchase of shares is set out in the Share Issue prospectus.
- Trustees may at their discretion, suspend withdrawal of shares or payment of interest on shares, in line with the Rules.

3. Context

CVCLT’s Rules and Share Offer documents highlight that shares are only withdrawable at the discretion of the board. Complementary to this policy are the Society’s Rules. The relevant sections are 21-24 detailing share capital expectations, and sections 25-26 on withdrawal of share capital. The relevant section from the Fielden Acre Share Offer document is shown below.

6.1 Withdrawal of capital. Shares are withdrawable by selling them back to the society. CVCLT Trustees will only consider requests to withdraw shares three years after the original shares issue - by early 2024. Withdrawal is subject to three months' notice and is at the discretion of the Trustees and withdrawals will be made in the order that requests for withdrawal have been received. Sections 25 and 26 of the society's rules allow for withdrawal of share capital and set out the process for this. The society will make a further share offer to raise additional share capital to replace the value of any proposed withdrawal of shareholdings. The society has placed a limit on the withdrawal of shares in any one year to a maximum of 5% of the value of community shares held by the society. Withdrawal will only be allowed if we receive new investment to replace the value of shares withdrawn. The Trustees strongly encourage investors to consider their investment to be a long-term commitment to the work of Calder Valley Community Land Trust and are asking investors to leave their money within the society for as long as possible.

The reason for this rule is that a community benefit society has a duty to protect the interests of the society and its share capital and funds raised via member investment are used to invest in community led housing projects, which are long-term, capital-intensive projects. If funds were repaid whenever requested, it may jeopardize CVCLT's ability to fulfill the objectives of the society. However, CVCLT recognises that members will want to withdraw shares for a variety of reasons and has therefore needs to build into its financial planning the ability to allocate cash surpluses, year on year, to meet share withdrawal requests. This policy on share withdrawal aims to provide clarity to members around how and when they can request share withdrawal and how CVCLT will respond.

As CVCLT advances its development programme, we will seek to raise further funds from undertaking further offers to recruit new members. This process of new investment will also provide an opportunity for existing members to withdraw their shares. Under CVCLT and Community Benefit Society rules, shares will never be worth more than £1 and shareholders may under exceptional circumstances (see Rule 27) be offered less than face value of the initial share investment made.

CVCLT aspires to be proactive in engaging and communicating with shareholders regarding any changes to the conditions of their shareholding. Any adjustments on this basis will be communicated to members in advance ahead of any changes being made. The Committee will use an AGM or an exceptional meeting as means to allow for input and ratification of any changes by members.

4. Withdrawal limit

The following proposed annual limits on withdrawal are based on the total shareholding of the society as at 1st January in that financial year, after new shareholding from interest has been credited.

The Community Share Unit recommends that the value of the withdrawals in any year, as a percentage of the total share value, is no more than 5%. Below is a proposed schedule which will apply to all current and future community shares.

2024: 2.5%
2025: 2.5%
2026: and thereafter subject to review: 5%

The rationale for the above rate schedule is to retain capital for the use of the society's development activities in 2024-2026, whilst recognising that financial capacity to fund withdrawals may be limited until unrestricted housing income and hence reserves can be built up. Thereafter, we can consider offering sufficient withdrawal capacity to start reducing the overall shareholding over time.

5. Policy detail

As set out in CVCLT Rules (the "Rules") share capital may be withdrawn without penalty at the discretion of the Management Committee (the "Committee"). The Rules also allow the Committee to specify a maximum total withdrawal for each financial year or to suspend withdrawals.

This policy sets out the Society's position on share withdrawal, reflecting the Rules and advice from the Financial Conduct Authority ("FCA"); the procedure; and the general principles of how withdrawal requests will be handled by the Committee.

5.1 Financial Conduct Authority

The FCA sets out a number of tests of whether a society is meeting its conditions for registration, which include that it should only allow the withdrawal of shares if:

- It has trading surpluses that match or exceed the value of shares involved; and
- The directors believe the society can afford to pay its debts, taking into account:
 - all of its liabilities (including whether it will be able to pay its debts at the date of withdrawal and, for a year after that, any contingent or prospective liabilities); and
 - the society's situation at the date of the transaction.

5.2 Share Valuation

Under the Rules, shares will never be worth more than their nominal £1 face value, and may under exceptional circumstances have a lower value attributed by the Board (in line with Rule 27, in the event that the Charity's auditors, or if the Charity does not have auditors, another qualified independent accountant, certifies that the Charity's liabilities plus share capital exceeds its assets). Any adjustments to valuation of shares will be communicated in advance to all Shareholders and require ratification through an AGM or extraordinary GM.

5.3 Share Withdrawal Procedure

The proposed procedure has been chosen to make the withdrawal process as fair and transparent as possible. The Share Issue prospectus outlined any limitations to the withdrawability of shares from the point of purchase - this equates the first three years from when the shares were purchased.

- (a) Members may request the withdrawal of shares by completing the Share Withdrawal Form available on the CVCLT website or by requesting a copy through contacting CVCLT direct via phone or email. Completed forms must be returned, along with a copy of the share certificate(s), to the Executive Manager.
- (b) Applications for withdrawal are decided on a first come first served basis and the total number of withdrawals within a financial year are limited to the withdrawal limit set according to the total shareholding at the start of the financial year.
- (c) Shares may not be withdrawn within the first three years of issue.
- (d) Shareholders are required to provide a submission of a Withdrawal Form 3 months in advance of their preferred repayment date. Within this 3 month window the Board will consider any received Withdrawal Forms and update Members of the feasibility of fulfilling their withdrawal request (or as soon afterwards as is reasonably practicable)
- (e) It is recommended that Members retain at least a nominal £1 share in order that they can have a say in how the Society is run. Those who withdraw all their shares will cease to be Members and will therefore not be able to vote in the election of Committee members or on other matters at Members' meetings.

5.4. Interest

Interest shall be credited to shares on an annual basis as of 1st January, and interest is credited to the share balance on this date. Fully withdrawn shareholdings will reflect the current shareholding balance.

The rate of interest and date from which it accumulates on the purchase of shares was set out in the Share Issue prospectus and is listed on the Share Certificate. Shares purchased in specific share issues may provide a different rate of interest.

The total interest accumulated is credited to members' accounts at the end of the financial year, and may be reinvested in new shares, or paid to members..

5.5. Converting Shares to Donations

Noting that many members purchase shares in community organizations for non-financial reasons, with a view to realizing a social rather than a financial return, some members may regard the monies paid to purchase their shares as a donation. In such circumstances the Society provides an option to surrender some of the share value back to the Society, in which case those shares would be canceled and their value becomes a donation. To retain membership of the Society a minimum £1 share must be retained.

5.6. Death of a Member

On the death of a Member, shareholding can be transferred to a nominated person (if a pre-nomination has been registered, for up to £5000 shares); otherwise they can be inherited or transferred in accordance with the terms of the Member's will or under the rules of intestacy, subject to Board approval of the new Member who shall become the holder of these shares.

Officers of the Society shall seek suitable evidence of the death of the member and the authority of the Executor or Beneficiary. Generally this shall be a deed of Probate but may also include a death certificate or copy of will.

The identity of the transferee shall be confirmed by way of a bank statement matching the name and address.

If the wish is for those shares to be withdrawn, the Committee may deal with any request due to the death of a member separately as a priority above other Withdrawal requests. Funds will be returned on confirmation of identity of the deceased, and suitable authority from the Executer or beneficiary (eg Deed of probate).

6. Review

July 2026 or whenever new share capital is raised, whichever occurs earlier.

Application to Withdraw Shares

Calder Valley Community Land Trust (the “Society”) is a registered society under the Co-operative and Community Benefit Societies Act 2014. This form should be used in conjunction with the Society’s Rules and Share Withdrawal Policy, both of which are available from the Society’s website.

Full Name	
Address	
Postcode	
Telephone/Mobile	
Email Address	
Share Certificate Number	
Number of Shares Requested	

Method of Payment

☐ BACS – please provide bank account details

Payee Name: _____

Name on Account: _____

Account Number: _____ Sort Code: _____

Signature: _____

Date: _____

Please send the completed form, along with a copy of the share certificate(s), to

Manager@caldervalleyclt.org.uk

Or by post to

Calder Valley CLT, Unit 25, The Town Hall, St George’s Street, Hebden Bridge. HX7 7BY