



## DEVELOPING THE PROJECT

The Business Plan for the development of Shambellie House as a centre for day and short residential courses has set out an ambitious target of £6.1m for the capital development works. Once these are completed then the Business Plan predicts that after three years the project will break even and be cash positive by the fifth year.

The trust has now embarked on a programme of seeking grant aid from a large range of organisations and this is not expected to be completed until the end of 2019. It is clear that the scale of funding required will require a cocktail of funding from a large number of agencies, charities etc.

A strong case can be made for ensuring this important building is retained as an asset for the community and from the delivery of a programme that makes best use of the special qualities of the building, site and location, delivering benefits to the local area and to dozens of small creative businesses throughout the region. This case however would be significantly strengthened by a clear demonstration of support from the wider community. During the workshops run by the Trust in the development of the Business Plan several of those seeking to be part of the project asked if it might be possible to invest in the Trust.

Shambellie House Trust as a company limited by Guarantee the Trust (with charitable status) is not able to issue shares. Recently the Scottish Government has provided support for the concept of Community Shares through the creation of Community Shares Scotland.

Community Shares refers to withdrawable share capital which can only be issued by co-operative societies, community benefit societies and charitable community benefit societies and have some unique characteristics: -

1. This type of share capital cannot be transferred between people. Instead, the society allows shareholders to withdraw their share capital, subject to terms and conditions that protect the society's financial security.
2. The value of shares is fixed and not subject to speculation, although some societies have the power to reduce share values if the society is experiencing financial difficulties.
3. Shareholders have only one vote, regardless of the size of their shareholding, so the society is democratic. There is also a limit on personal shareholdings, currently up to £100,000.
4. There is also a limit on the interest paid on share capital, based on the principle that interest should be no more than is sufficient to attract investment.
5. Finally, the majority of societies are subject to an asset lock, which prevents the society being sold and the proceeds of the sale being distributed amongst shareholders. This removes the possibility of capital appreciation and the scope for investor speculation.

In order to be in a position to offer the opportunity to invest in the project through Community Shares then the Trust will have to change its legal structure. As a registered charity the Trust can move to become a charitable community benefit society. This will still see the organisation registered with the Scottish Charity Registrar (OSCR) but it would be regulated by the Financial Conduct Authority rather than Companies House as present.

The new structure would see all of the key elements of the Trust replicated in that it would be run by members, have an asset lock and would retain the exiting Objects: -

*The company's objects are: -*

*1) To arrange for the buildings and grounds to be used for the advancement of arts, heritage and culture. Providing facilities for the arts and providing heritage benefit to the community by preserving the listed building of Shambellie House (including any outbuildings or associated buildings and grounds).*

*2) To arrange for the buildings and grounds to be used for the advancement of education, in particular arts, culture and the environment.*

The Board has been in discussion with Community Shares Scotland and have concluded that this is the right way forward for the project. As a first step the Board is seeking an "in principle" decision by the members to enable this process to be further developed. It is recognised that at this stage there is insufficient detail to enable a formal decision to be made – that must await the work on developing a new set of Rules for the organisation as well as consulting with the regulators.

When this is complete and the Board are satisfied that this is the best way forward they will call an Extraordinary General Meeting (EGM) to consider a special resolution to change the legal structure to a charitable community benefit society.

The Board has therefore agreed to put to the members at the AGM the following resolution

***"That the members agree in principle to convert Shambellie House Trust to a charitable community benefit society and to then develop a community shares offer"***

The Trust operates currently under its Memorandum and Articles of Association which allows members at either an AGM or an EGM to pass a "special resolution" to alter the Articles or adopt new Articles of Association. A special resolution must be passed by 75% of those attending and voting at the meeting. While the above resolution does not constitute a decision to make the alterations the Board will not take any further action on this unless this resolution is carried by at least 75% of those present and voting.