

R/IP/RA7
Form H



Financial Conduct Authority
25 The North Colonnade
Canary Wharf
London
E14 5HS

Tel: +44 (0)20 7066 1000
Fax: +44 (0)20 7066 1099
www.fca.org.uk

CO-OPERATIVE AND COMMUNITY BENEFIT SOCIETIES ACT 2014

Acknowledgement of registration of a rule amendment

The FCA today acknowledges the registration of the amendment of the attached rules under the Co-operative and Community Benefit Societies Act 2014 for:

Society name: **Webarch Co-operative Limited**
Registration number: **31305 R**

Date: 8 June 2016





Mutual Societies Application Form Amendment of rules for a society or credit union Form

Full name of society or credit union:

Webarch Co-operative Limited

Important information you should read before completing this form

You must not use this form if the society is a building society or is registered under the Friendly Societies Act 1992 or is a branch of a society registered under the Friendly Societies Act 1974.

You will need to use this form if your society is an industrial and provident society, credit union or a friendly society registered under the Friendly Societies Act 1974 if it is changing its rules either by a partial or complete amendment (substitution of a new rule book in place of the existing rule book).

Please keep a copy of the form and the supporting documents for future reference.

The notes that accompany this form will help you complete the form correctly.

Please be aware that any personal details entered on the form will be placed on the society's or credit union's public file.

It is important you provide accurate and complete information and disclose all relevant information. If you do not, it may take us longer to assess your application.

Terms in this form

'FCA' 'PRA', 'us' and 'we' refer to the Financial Conduct Authority or Prudential Regulation Authority.

'You' refers to the person signing the form on behalf of the society or credit union.

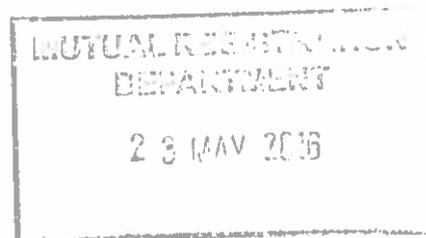
Filling in the form

1 If you are using your computer to complete the form:

- use the TAB key to move from question to question and press SHIFT TAB to move back to the previous question; and
- print out the completed form and arrange for it to be signed.

2 If you are filling in the form by hand:

- use black ink;
- write clearly; and
- arrange for it to be signed.



3 If you make a mistake, cross it out and initial the changes; do not use correction fluid.

4 Post the form and supporting documents to us at:

**Mutuals Team
Financial Conduct Authority
25 The North Colonnade
Canary Wharf
LONDON E14 5HS**

1

Details of rule changes

Society details

1.1 Society or credit union details

Register number	31305R
-----------------	--------

Proposed changes – Partial or complete?

1.2 Are you applying for a partial or complete amendment of rules?

- Partial ▶ Continue to question 1.3
 Complete ▶ Continue to question 1.5

Partial amendment of rules

1.3 You must attach the following:

Two printed copies of the amendment of rules, set out as per Annex A (see Notes), one marked 'X' and each signed by three members and the secretary of the society or credit union. Attached

A printed copy of the existing set of rules, marked to show where the amendments occur, and what they are. Attached

1.4 Is your society either:

- an industrial and provident society, or
 - a credit union amending its membership qualification?
- Yes ▶ Please confirm that you have completed the relevant appendix.
 Industrial and provident society ▶ Appendix 1 Part 1 Completed
 Credit union ▶ Appendix 2 parts 2&3 Completed
 No ▶ Continue to question 1.8.

Continue to question 1.8.

Complete amendment of rules**1.5 Please confirm that you have completed the relevant appendix:**

Industrial and provident society	▶ Appendix 1	<input checked="" type="checkbox"/> Completed
Credit union	▶ Appendix 2	<input type="checkbox"/> Completed
Friendly society	▶ Appendix 3	<input type="checkbox"/> Completed

1.6 You must attach the following:

Two identical printed copies of the new rule books, one marked 'X' and each headed 'All previous rules rescinded' and signed at the end by three members and the secretary of the society or credit union. Attached

1.7 Have you used model rules provided by a sponsoring body?

No ▶ Continue to question 1.8.

Yes ▶ Enter the name of the model being used and the name of the sponsoring or trade body who provided the model.

Somerset Rules 2014 Co-operative Society

Continue to question 1.8.

Signature**1.8 The secretary of the society or credit union must sign and date below**

Signature	<i>J. Cook</i>
Contact telephone	+44 114 276 9709
Date	16/05/16

Continue to section 2.

2 Statutory declaration

2.1 An Officer of the society or credit union must sign below

I,

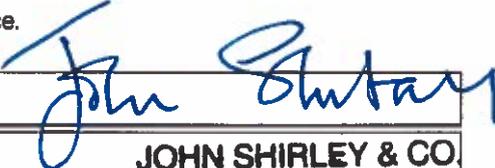
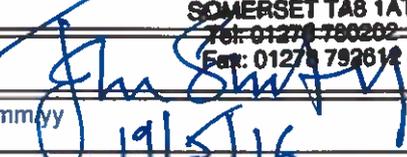
Name	Alex Lawrie
Of	6 Atlantic Crescent Burnham on Sea Somerset
Postcode	TA8 1NF
Signature	
Position	Member
Date	17/05/16

do solemnly and sincerely declare that the amendment of the rules of the said society or credit union, a copy of which is attached marked 'X', has been duly made by the society or credit union in the manner provided in its rules for the making, altering or rescinding of rules.

I make this solemn declaration conscientiously believing it to be true, and by virtue of the provisions of the Statutory Declarations Act 1835.

Declared before:

- a solicitor; or
 a commissioner for oaths; or
 notary public; or
 justice of the peace.

Name	
Declared at	JOHN SHIRLEY & CO. SOLICITORS 24 COLLEGE ST., BURNHAM-ON-SEA SOMERSET TA8 1AT Tel: 01278 780202 Fax: 01278 792614
Signature	
Date	dd/mm/yy 19/5/16.

End of form

1

Appendix 1 – Part 1

All societies registered under the Co-operative and Community Benefit Societies Act 2014 (2014 Act) must complete Part 1.

1.1 What business, industry or trade does the society carry out?

The provision of internet based services.

1.2 Which condition of registration is the society meeting?

- bona fide co-operative society (go to question 1.3)
 conducts business for the benefit of the community (go to question 1.8)

Bona fide co-operative

1.3 How do members benefit from the business industry or trade of the society?

From the provision of employment opportunities, or as customers.

1.4 Is membership of the society required to obtain the benefits offered by it?

- Yes
 No

1.5 In what way do members participate in an ongoing basis in the society's primary business?

Workers for the co-operative can obtain fairly rewarded work; clients get affordable, high quality services with an assurance of high ethical standards.

1.6 How do members democratically control the society?

They can become members in the appropriate class (class 1 for workers, class 2 for clients). All members can then attend general meetings and elect a board of directors, which any member can stand for.

1.7 How does the society use any surplus/profit?

If the society distributes the surplus/profit to members please explain how this is to be done.

The co-operative maintains an indivisible reserve for the benefit of future members; it may also distribute co-operative dividend to its members in proportion to their transactions.

Benefit of the community

1.8 Who are the community the society benefits?

1.9 How does the society benefit that community?

1.10 How does the society use any surplus/profit?

Complete the next page if applying for a complete rule amendment

1 Appendix 1 – Part 2

This part of this appendix must only be completed by societies registered under the 2014 Act applying for a complete amendment of rules.

2.1 Please complete the table below

Matters to be provided for	Rule number(s)
The society's name	1.1
The objects of the society	1.3
The place of the society's registered office, to which all communications and notices may be addressed	1.2
The terms of admission of the members, including any society or company investing funds in the society under the provision of the 2014 Act.	1.6
The method of holding meetings, the scale and right of voting, and the method of making, altering or rescinding rules.	2.6
The appointment and removal of a committee, (by the name of * Board of Directors) and of managers or other officers, and their respective powers and remuneration.	2.9
The maximum amount of interest in the shares of the society which may be held by any member otherwise than by virtue of section 24(2) 2014 Act.	1.7
Whether the society may contract loans or receive moneys on deposit subject to the provisions of the 2014 Act from members or others; and, if so, under what conditions, under what security, and to what limits of amount.	3.2
Whether any or all shares are transferable, and provision for the form of transfer and registration of the shares, and for the consent of the committee to transfer or registration. Whether any or all shares are withdrawable, and provision for the method of withdrawal, and the payment of the balance due thereon on withdrawing from the society.	1.10, 1.7
Provision for the audit of accounts in accordance with Part 7 of the 2014 Act.	5.4
Whether members may withdraw from the society, and if so, how, and provision for the claims of the representatives of deceased members or the trustees of the property of bankrupt members)or, in Scotland, members whose estate has been sequestrated) and for the payment of nominees.	1.8
The way in which the society's profits are to be applied.	3.4
If the society is to have a common seal, provision for its custody and use.	n/a
Whether any part of the society's funds may be invested, and if so by what authority and in what way.	6.3, 6.4

End of Appendix

ALL PREVIOUS RULES RESCINDED

This is the exhibit marked X in the declaration of

Rules of Webarch Co-operative Limited

Registered under the Co-operatives and Community Benefit Societies Act 2014 as a Co-operative Society with Somerset Rules 2014

Alex Lawrie declared before me this 19th May 2016 Justice Solicitor

I. Open and voluntary membership of the co-operative

- 1.1. The name of the co-operative is: Webarch Co-operative Limited
- 1.2. The registered office of the co-operative is at: Creative Arts Development Space, Snow Lane, Sheffield S3 7AL
- 1.3. The objects of the co-operative are to carry on any industry, business or trade in accordance with co-operative principles in order to achieve this mission:
 - to enable the provision of internet based services for socially responsible groups and individuals;
 - using free open source software wherever possible;
 - in a manner that aims to minimise fossil fuel usage and ecological impacts and which also provides sustainable employment;
 - in addition to the general co-operative aims described in 1.4, 2.1, 3.1, 4.1, 5.1, 6.1 and 7.1 below.
- 1.4. The co-operative has the aim of building membership within its stakeholder groups, and ensuring that its membership fully reflects the diversity of those groups and of the wider community.
- 1.5. **Classes of membership**
 - a) The membership of the co-operative will be made up of persons drawn from one or more categories of stakeholder, corresponding to the different type of involvement those stakeholders have with the co-operative.
 - b) User members, who are the main beneficiaries of the co-operative's services, play the principal role in the direction of the co-operative. Non-user members do not have such relevant transactions with the co-operative, though they may be investors, supporters, or otherwise interested parties. They are subject to limits on their powers, as specified in 2.7, 2.8, 4.2 and 4.5 below.
 - c) Each class of share will be available to particular stakeholders and may have distinct rights and powers.
 - d) A person or organisation that has membership under more than one class will be requested to withdraw, cancel or transfer shares such that they have membership in one class only. If after three months this has not been done, the secretary may cancel the minimum number of shares necessary in order to ensure compliance.
 - e) Each class has a unique number, and where a person would be eligible to join in more than one class, membership will be allocated to the lowest numbered class that they are eligible for, unless the board of directors rules otherwise.
 - f) The user membership classes are as follows:

Workers	Class number:	1
Clients and Partners		2
 - g) The non-user membership classes are as follows:

Investors	3
-----------	---
- 1.6. **Applications for membership**
 - a) The co-operative is open to applications for membership in the appropriate class without discrimination, subject to a membership policy agreed by the board. This policy will be made available to current and prospective members, and will specify:
 - i. the responsibilities of membership that members are expected to comply with,
 - ii. the application procedure, which may include a reasonable probationary period
 - iii. the minimum shareholding for membership in each class, which for user members must be set at between 1 and 50 shares (the application procedure may allow deferred or staged purchase of the minimum shareholding, provided at least one share is fully paid up).
 - iv. the transactions with the co-operative that qualify an applicant for membership in each class.
 - b) All user members must be aged sixteen or over. The board has the right to refuse membership where it believes there is good reason to do so.

1.7. Shares held by members

- a) The maximum shareholding for any member that is not a registered society is £100,000; if shares are to be issued that would cause a member's shareholding to exceed £50,000, this must be specifically authorised by a board resolution. Transferable shares may not be issued by the board unless in accordance with a resolution passed at a general meeting.
- b) Within any class, shares can be issued for a special purpose and treated as separate from the main funds of the co-operative. They may have different conditions, and may attract a different rate of interest, to other shares in that class. Members may hold both special purpose and ordinary shares, with no distinction being made for the purposes of qualification, voting and limits on total shareholding.
- c) Shares are par shares priced at £1, with no possibility of exceeding that value. Their value can be reduced by the board only in the event that independent accountants certify that the society's liabilities, plus issued withdrawable share capital, have become more than the value of its assets. Where shares have been issued for a special purpose, the liabilities and assets will be calculated for that purpose only.
- d) Shares may be converted between classes on request at the discretion of the board, provided that
 - i. the holder of shares has completed any process specified in the membership policy (referred to in 1.6 a) for the class to which they are transferring, and
 - ii. there is no resulting increase in the value of the shareholding, and
 - iii. the conditions of any special purpose shares permit it.
- e) All issues and transfers of shares are subject to the limits and regulations imposed by law; the board will obtain appropriate advice before issuing shares in order to raise capital.
- f) In the event that any member has a debt owing to the co-operative, the co-operative may set off any sum standing to the member's credit including any loan money, interest, dividends. It may also retain shares, preventing withdrawal or transfer, until the debt has been settled.

1.8. Cancellation of membership

- a) Membership of the co-operative will be cancelled under the following circumstances:
 - i. at the discretion of the board, if the member is unable to provide evidence that they conduct (or intend to conduct within a reasonable timeframe) the transactions with the co-operative (referred to in rule 1.6 a above) that originally qualified them for membership;
 - ii. on receipt of a written request by a member with 50 or fewer shares for the cancellation of their own membership;
 - iii. if, over a period of two years, reasonable attempts to communicate with the member (including a written warning that membership may be cancelled if no response is received) elicit no response;
 - iv. if the member is a corporate body, and has been wound up, has gone into liquidation or has otherwise ceased to function according to its own rules; or
 - v. if the member is expelled. The member in question must be given written warning, and sufficient time to prepare an appeal to a general meeting. An expulsion requires a 75% vote at a general meeting, in which neither the member in question nor any member of their family may vote. Following such a vote, the expelled member may not be readmitted to any class of membership without a further resolution at a general meeting.
 - vi. if the member dies.
- b) When a person's membership is cancelled, withdrawable and transferable share capital with a total value of £50 or less will be immediately repaid at par value. If the sum is larger and withdrawal according to 1.10 below is not possible, the board may transfer the shares to another class on a one for one basis provided that
 - i. the membership policy (referred to in 1.6 a) and cancellation policy (1.8 a) would allow that person to become a member in that class; and
 - ii. there will be no resulting increase in the value of the shareholding; and
 - iii. the conditions of any special purpose shares permit it.

Otherwise, or if the board so chooses, they will convert the shares at par value into loan stock with a closing date no more than two years from the date of cancellation equivalent in value to the value of the shares at the date of the cancellation of membership.

- c) Members may in accordance with the law nominate an individual or individuals to whom the full value of their property in the co-operative should be transferred in the event of the co-operative receiving proof of the member's death. If there is no nominee, then all property held by a deceased member shall be transferred to their personal representative upon request. The co-operative will also transfer property in the co-operative held by a bankrupt member to their trustee in bankruptcy upon receipt of a valid claim.

1.9. Register of members

- a) A register of members is kept at the registered office, and will include:
 - i. the name and address of every member;
 - ii. the number and class of shares held by each member;
 - iii. any loans or other property held by members;
 - iv. the date on which the member's name was entered on the register, and the date on which they ceased to be members;
 - v. the names and addresses of directors and officers of the co-operative, the positions held by them, and the dates on which those appointments began and ended.
 - vi. While a member shall be allowed at all reasonable hours to inspect their own account, information in (b) and (c) above will be kept confidential other than for administrative necessity.

1.10. Withdrawal of shares

- a) Shares carry no absolute rights of withdrawal. The board may at its sole discretion:
 - i. repay a fixed proportion (less than 100%, unless memberships are cancelled in accordance with 1.8 above) of all shares in a class;
 - ii. allow the withdrawal of shares in one or more classes on request, subject to whatever limits or period of notice the board may think prudent;
 - iii. permit no withdrawals (other than small sums on cancellation, as described in 1.8 c) for a fixed period of time or disallow withdrawals indefinitely.

If a member wishes to withdraw their share capital, they should notify the co-operative in writing that they would like it to purchase its shares from them, enclosing the appropriate share certificates.
- b) Where withdrawals are permitted, they must take place in the order that the requests were received (allowing for any period of notice) and all members must be treated impartially.
- c) Shares may be issued with conditions that further restrict withdrawal, but may not offer terms that are not permitted under these rules.

2. **Democracy**

- 2.1. The co-operative has a general aim of consulting with, empowering and serving its membership.
- 2.2. The sovereign body of the co-operative is the general meeting, which will appoint a board of directors to manage the co-operative, and may convene a Commonwealth Council to provide oversight in accordance with rule 6.7.
- 2.3. The business of the general meeting and board is governed by such standing orders as may be adopted by a general meeting; these will remain in force until they are amended or repealed by a general meeting. Such standing orders may not contradict these rules but may allow for the taking of a vote (though not one addressing only the conduct of the meeting or the order of business) to be deferred to allow for the development of consensus.
- 2.4. Where shares are held by an organisation (incorporated or unincorporated), its rights will be exercised by a person who is nominated by that organisation in accordance with their rules. That person will cease to do so if for any reason that nomination is no longer sustained by the member organisation.
- 2.5. The co-operative will have a secretary and a treasurer. They may be appointed or replaced by a general meeting. If a general meeting does not appoint them, the board of directors will do so.
- 2.6. **General meetings**
 - a) Within each class of membership, voting at general meetings is on the basis of one member, one vote.
 - b) General meetings will be convened by the board of directors as follows:
 - i. Annual General Meetings, held within six months of the close of the co-operative's financial year;
 - ii. at the request of the Commonwealth Council;
 - iii. at the request in writing of 5 or more members, provided that they amount to at least 15% of the membership (rounded up), or 30% of the membership in any one class (rounded up);
 - iv. in the event of the number of elected directors falling below three, or in the event that more than 25% of the directors are not user members;
 - v. in the event that the board fails to secure the appointment of a secretary and a treasurer;
 - vi. at any other time deemed appropriate by the board.
 - c) All members, and any auditor or accountants appointed by the co-operative, will be notified of the time and place of the general meeting in writing to their registered address or (where the member has supplied suitable contact details) by electronic communication, no less than fourteen days before the date of the meeting. The notice must inform members:
 - i. how to propose resolutions and stand for election to the board;
 - ii. what resolutions have been received by the secretary.
- 2.7. **Resolutions at general meetings**
 - a) All members have the right to propose resolutions. If a resolution is proposed that includes any of the actions listed in 2.7 c and d below, its content must be provided to the secretary in time for inclusion in the notice of the general meeting. Otherwise resolutions may be proposed in the course of the meeting, in accordance with any standing orders that are in force.
 - b) Votes will be conducted on a show of hands; at any point during the general meeting, any member may request that the result of any vote be verified with a count.
 - c) Resolutions require a clear majority of the vote at the general meeting to be in favour to pass, except the following resolutions require more than 75% support:
 - i. resolutions to change the conditions attached to shares;
 - ii. amendments to these rules;
 - iii. empowering the board to allot transferable shares (such resolutions must specify a period of time after which they will lapse, and limits to the number of shares that may be allotted);
 - iv. resolutions to wind up or dissolve the society (on which only user members may vote);
 - v. expulsion of a member in accordance with 1.8 (a) v. above;
 - vi. dissolution of the Commonwealth Council.
 - d) The following proposals are special resolutions that must be passed and confirmed in accordance with the law, and on which only user members may vote:
 - i. amalgamation with, or transfer of engagements to, another society;
 - ii. conversion to a company;
 - iii. disapplication of the audit requirement (see 5.4).

- e) Certain proposals may, even if they fail to achieve a majority, nonetheless constitute a petition that the co-operative must comply with if they achieve the support of one third of the voting strength in a general meeting. They are:
 - i. the board to publish its policies regarding social investment of liquid assets, equal opportunities, health and safety and/or corporate social responsibility;
 - ii. the board to begin the process of convening a commonwealth council, in accordance with rule 6.7.

2.8. Voting by classes

- a) If any member requests that a vote be counted rather than taken on a show of hands, the votes cast by each class will be weighted (that is, treated as being a greater or lesser amount) to ensure that the final proportions of votes cast by each class of membership are fixed as follows:

[Ensure that the total of voting strengths is 100%; that no user member class has less than 25% of voting strength; and all non-user member classes combined do not exceed 25%]

Class number	% share of voting strength (totaling 100%)
1	50%
2	25%
3	25%

Votes for each class shall be counted separately. Before combining them, the votes cast for or against (and abstentions) shall be established as proportions of the members of that class present. Then the percentage share of voting strength allotted to that class, as indicated above, shall be applied to each. The votes for and against, along with abstentions, shall be established by aggregating the figures for each in each class.

The following qualifications apply to this rule:

- i. if the effect of this rule would be to give a person more than 25% of the total voting strength in a meeting attended by four or more user members, then for the duration of that meeting only the voting share for the class to which they belong will be reduced, and the voting share of other user member classes increased pro rata.
 - ii. If a class has no members in attendance, the shares of the voting strength for other classes are unaffected.
 - iii. a motion to suspend weighted voting may be passed provided it has unanimous support. Following such a motion, votes will be on a simple one member, one vote basis, subject to the votes of non user members being capped at no more than 25% of the overall vote (applying, if necessary, the method described in above to achieve this).
 - iv. Special resolutions listed in 2.7 d should be voted on without any weighting of votes, and without any participation by non-user members.
- b) No amendment may be made to these rules that would allow non-user members to have more than 25% of total voting strength at any general meeting, or would cause any class of user members to have less than 25% of the total voting strength, or would change the meaning of this sentence.

2.9. Board of directors

- a) The maximum number of board members is twelve, and the minimum number is three. Casual vacancies may be filled by co-option. Any directors that have been co-opted to the board will resign or stand for election at the next available general meeting.
- b) At all times 75% of board members must be user members in accordance with rule 4.5 below; however, up to two Executive Directors may join the board as additional non-voting members.
- c) For so long as the number of user members is less than ten, unless a general meeting resolves to hold elections all user members will be automatically appointed to the board (though they may decline to accept the appointment) and 2.9 (d) will not apply.
- d) At all subsequent annual general meetings all directors will resign so that those wishing to continue must seek re-election. Resolutions to elect each candidate will be voted on in turn until there are no vacancies remaining. The order in which candidates are voted on may be determined by standing orders; if not, candidates that have served longest on the board will be first. If some candidates have served for an equal length of time, those that have been members longest will be first.
- e) Larger and more complex co-operatives may require directors with suitable skills and experience. Standing orders may require that candidates that have met such requirements should be voted on first; if that is the case, the board must convene a Commonwealth Council to manage the process of qualification and nomination.
- f) All members have the right to stand as candidates, subject to any reasonable nomination procedure

specified in standing orders. No one can serve on the board if they:

- i. have resigned in writing to the secretary;
 - ii. are not a member, or the nominated representative of a member organisation;
 - iii. are removed from office by a resolution passed by a general meeting;
 - iv. fail to attend three consecutive meetings without adequate explanation;
 - v. commit fraud, or any act of financial impropriety, or failed to disclose when standing for election any previous offence of this type, or contravene rule 4.5;
 - vi. are an undischarged bankrupt or otherwise prohibited by law from acting as a director of a company or society.
- g) The board may also appoint other officers in addition to the Secretary and Treasurer, and form subcommittees, as it sees fit, and in accordance with any standing orders. Officers shall have the powers and duties specified by law and by the board, and may be removed by the board. The board may also convene consultative committees composed of members of the co-operative, which may be elected or unelected, for any purpose.
- h) Directors and officers may be reimbursed for any expenses incurred in the course of carrying out their duties. Directors may receive an attendance allowance and may be paid wages, but only for services actually performed for the co-operative, and in accordance with a pay policy submitted to the next available general meeting for approval.

2.10. Quorum

- a) No business will be transacted at any general meeting unless a quorum is present. A quorum is present if:
 - i. there are three or more user members present; and
 - ii. there are two members present from any class in which there are more than ten members.
- b) A quorum is present at a board meeting if three directors are present.
- c) If standing orders permit, a member may be considered present if they are participating through a live electronic link.

2.11. Member control

No amendment may be made to these rules that would allow non-user members to have more than 25% of total voting strength at any general meeting, or would cause any class of user members to have less than 25% of the total voting strength, or would remove this clause.

3. Application of Profits

- 3.1. The co-operative has the general aims of creating common wealth, building an indivisible reserve and providing a return on investment no more than is necessary to attract and retain the capital it requires.
- 3.2. The co-operative may borrow up to a maximum of £10,000,000 and may issue debt securities provided that this does not amount to receiving money on deposit. Any interest paid on share capital held by user members, or on funds borrowed from user members will not exceed the highest rate for fixed term business lending published by the Co-operative Bank. In keeping with co-operative accounting practice, interest on share capital is considered a business expense and is not included in profits.
- 3.3. The co-operative will not normally transfer assets for less than full consideration, except for the purposes specified in 3.4 below. This rule does not prevent the board
 - a) setting variable rates of interest payable on user and non-user share capital according to the trading performance of the co-operative, provided that this is consistent with 3.1 and 3.2 above;
 - b) paying bonuses, incentives and other rewards to members and employees, provided that this is in pursuit of the co-operative's mission in paragraph 1.3.

Some interest and dividend payments will be 'key decisions' requiring the process specified in rule 4.7.

3.4. Application of annual profits and restriction on use

Profits of the co-operative will be applied at the discretion of the committee, subject to the rules for key decisions in paragraph 4.7 and the following process:

- a) co-operative dividend payments that are specified in contracts of employment will be paid to employees in proportion to working hours;
- b) at least 20% of remaining profits will be transferred to a general reserve for the continuation and development of the co-operative, or used to support the work of secondary co-operatives or federal bodies of which the co-operative is a member, or used to make payments for social or charitable purposes consistent with the mission in paragraph 1.3 of these rules;
- c) the remainder will be used either to repay or purchase share capital at par value or to pay co-operative dividends to user members. Co-operative dividends will be paid on the basis of an equitable policy that recognises each member's contribution to the co-operative's business during the period in which the profit was generated and which may make allowance for such relevant factors as length of membership.

3.5. Division on dissolution

In the event of the winding up or dissolution of the society the assets of the society will first, according to law, be used to satisfy its debts and liabilities (including the payment of interest on share capital). In the event that any assets remain to be disposed of after its liabilities are satisfied, share capital will be repaid at par value if sufficient funds are available, and in proportion to the size of holding if not. The remaining assets will be transferred to a common ownership enterprise that has objects consistent with the mission of the society stated in 1.3 above, subject to any restrictions in 3.4 above, as may be nominated by the members at the time of or prior to the dissolution. If no such organisation is nominated, the assets will be transferred to Co-operatives UK (IP02783R). In the event that for whatever reason any residual assets cannot be transferred as described above, they will be given for charitable purposes. No amendment will be made that would reduce the amount given to social and charitable purposes, or remove this sentence.

4. Autonomy and independence

4.1. The co-operative has the general aims of maintaining its autonomy and independence and empowering members and other stakeholders at the most local level possible.

4.2. Limitation on powers

For the avoidance of doubt the society shall not engage in any activity by virtue of any of these rules that would require a permission from the Prudential Regulation Authority or Financial Conduct Authority (or any body that succeeds their functions) to carry on that activity without first having applied for and obtained such permission.

4.3. Diversity of finance

Withdrawable shares or debt securities will not be issued, or loans received, if it would result in one natural person holding more than a quarter of all withdrawable share capital, or of all debts; or if it would exceed the limits specified in 1.7 (a).

4.4. Proxy voting

Proxy voting at general meetings will be permitted on special resolutions and on other resolutions that have been given in full with the notice for the general meeting.

4.5. Outside interests on the board of directors

- a) If, following a general meeting, the number of directors is less than the maximum, other members may be co-opted by the board to fill vacancies.
- b) No one may be elected or co-opted to the board if doing so would result in user members forming less than 75% of the board.
- c) All directors will, on taking office, indicate in a register of interests any material interests they have, or positions that they hold in other organisations, that might cause conflict with the objects of the co-operative. All directors will declare any such conflict of interest that they have in respect of any business before the board and will withdraw from votes in respect of that matter unless
 - i. so many directors are conflicted on an issue that the board would not be quorate, or
 - ii. the Commonwealth Council determines that the interest will not lead to significant conflict.

4.6. Contracts

The board of directors will regularly review all contracts and undertakings to ensure that the co-operative continues to be controlled by its membership.

4.7. Key decisions

- a) The board of directors, on behalf of the co-operative, may make any contract, and carry on any activity, that is within the law and in the opinion of the board, may benefit the co-operative's objects, including the contracting of loans and debt securities and the investment of funds. However, the following issues are designated 'key decisions':
 - i. the sale, transfer or disposal of assets worth in excess of £100,000 to the same buyer;
 - ii. a mortgage or charge on its property with a value in excess of £100,000; or borrowing that would have the effect of increasing the debt/equity ratio of the co-operative by more than 50%.
 - iii. issuing loanstock, debentures or other debt securities with a value of more than £50,000;
 - iv. investing in corporate bodies in which the society will have more than 50% of the value or voting strength of the share capital;
 - v. remuneration of employees, where the pay differential within the society exceeds 3:1;
 - vi. any payment of co-operative dividend to community members other than one made to employees in accordance with their contract of employment;
 - vii. compulsory redundancies;
 - viii. nomination of Directors to the board, where the board itself plays an active role in this;
 - ix. any payment of interest on share capital that is more than 3% above or below inflation. Such payments are also subject to the limit specified in rule 3.2.
- b) Any key decision that is authorised by a resolution at a general meeting may be implemented immediately without further consultation. If no such resolution is passed, then
 - i. If a Commonwealth Council (see 6.7 below) has been convened, key decisions must be brought to its attention no less than two weeks before they come into effect; and if a majority of the Commonwealth Council request further consultation, the proposal may not be enacted until the board and the Commonwealth Council both have a majority in favour.
 - ii. If a Commonwealth Council has not been convened, or at its request, notice of the key decision will be brought to the attention of the membership by means of a public notice, electronic

communication or other communication likely to be received by most members in sufficient time for a general meeting to be called by the members (in accordance with 2.6 b) before the decision comes into effect.

4.8. **Approved nominees**

- a) The board can designate an individual or incorporated organisation as an 'Approved Nominee' who can apply for membership on behalf of others as well as on their own behalf. When applying on behalf of others, the approved nominee must fully identify those persons and the value of the shares that they are applying for.

[Rules 4.8 b – f do not have effect unless an approved nominee is appointed in accordance with 4.8 a]

- b) *The board will consider all applications made through an approved nominee in the same way as specified in 1.6 above, and will not unreasonably refuse to accept them.*
- c) *The board can at any time withdraw the status of approved nominee if it is satisfied that the nominee is not behaving in an honest, transparent and responsible manner towards either the members they nominate or the co-operative. The nominee must inform prospective members that they intend to represent of any circumstances under which they might not act on the members' instructions; and how, if at all, they can end representation by the approved nominee.*
- d) *The register of members will record the name of the approved nominee alongside the details of any member they represent, and in general all communication, including communications required by these rules, will be conducted through the nominee.*
- e) *The first time that the board appoints an approved nominee, they must adopt standing orders for proxy votes at general meetings that allow the approved nominee to vote on behalf of the members they represent by default. However, members represented by an approved nominee can participate in person instead if they so choose. No approved nominee can control more than 5% of user member voting strength in a general meeting, nor can all approved nominees together control more than 25% of user member voting strength.*
- f) *Any payments that are due from the co-operative relating to shares associated with an approved nominee will be made to the approved nominee. Any communication from an approved nominee will be treated as if it were made by the holder of the shares to which it relates.*
- g) *In all other respects, members associated with an approved nominee will have the rights and obligations set out in these rules.*

5. Education and information

5.1. The co-operative has a general aim of educating its members and employees (particularly in principles of co-operation, managing the co-op and fulfilling their role in the co-op) and of supporting education in the wider community (particularly in the principles of co-operation).

5.2. Public identity

- a) If the trading name does not include the word 'co-operative' then the co-operative will clearly identify itself as either a co-operative, democratic social enterprise, or community enterprise in all its official publications.
- b) At least once a year, the co-operative will provide at least one communication to its members that either lists the co-operative principles, profiles other co-operative bodies, or advises members how they can become more involved in one or more other co-operatives.

5.3. Provision of information

- a) A copy of these rules, and any amendments made to them, will be given free of charge to every member on admission or on request. The board will accommodate any reasonable request to explain or clarify the meaning of the rules, and justify its interpretation of them.
- b) The following information will be recorded, retained and made available at no charge to members
 - i. agendas and minutes;
 - ii. quarterly management accounts (unless the annual turnover of the co-operative is below £10,000);
 - iii. annual returns and any other documents submitted to the Financial Conduct Authority (or any body that succeeds its function);
 - iv. job descriptions and contracts of employment of staff employed;
 - v. documents relating to the member making the request.
- c) No information will be provided to a member or any other person, or made available for general viewing, that would disclose details of the financial transactions of another member with the co-operative, other than with their permission. If the board refuses a request for information, it must explain what reason it has for withholding the information.

5.4. Presentation of accounts

- a) During each financial year, the co-operative will appoint a person qualified to the standard required by law who is neither a member nor an employee of the co-operative to audit the Co-operative's accounts and balance sheet for the year.
- b) The board will appoint such a person whenever a vacancy arises, and the appointment will be confirmed at the next available general meeting, and at every annual general meeting.
- c) If the law permits the society to be eligible to disapply the obligation to appoint a qualified auditor, the general meeting will consider a resolution to disapply the audit requirement each year. Such a resolution will be passed only if less than 20% of the total votes are cast against; and less than 10% of the total number of eligible voters cast their vote against.
- d) If the accounts, any social accounts as specified in 7.2, and any accompanying report from the auditor or social reporting panel are not available at an annual general meeting, or they are not accepted by a general meeting, another general meeting will be called within two months to consider them.

5.5. Annual Return

Every year, and in accordance with the requirements of the law, the Secretary will send the annual return relating to the society's affairs for the required period to the Financial Conduct Authority (or any body that succeeds its function), together with

- i. a copy of any auditor's report for that period that may be required by law;
- ii. a copy of each balance sheet made during that period.

6. The wider co-operative movement

- 6.1. The co-operative has the general aim of supporting the development and growth of the co-operative movement.
- 6.2. In preparing contracts for the purchase of goods and services larger than £1,000, the board of directors should ensure that other co-operative enterprises are given a reasonable opportunity to bid alongside other potential suppliers.
- 6.3. If the liquid assets and investments of the co-operative exceed £10,000, the board of directors will prepare a policy on social investment, which includes a process for identifying and considering investment in other co-operatives, and ethical criteria for all investments relevant to the objects of the co-operative.
- 6.4. The board of directors has the power to make any investments it considers prudent, subject to any policy on investments that may be in force.
- 6.5. A designated person should have overall responsibility for relations with the wider co-operative movement, and should maintain contacts with national and regional co-operative organisations.
- 6.6. No agreement will be entered into with any enterprise, co-operative or otherwise, that would have the effect of exploiting a monopoly or other dominant market position to the detriment of members, customers or suppliers.
- 6.7. **The Commonwealth Council**

- a) The Commonwealth Council is an oversight body that does not operate immediately following incorporation, but which can be activated at a later date, for example if the co-operative has become larger and more complex; plays an important role in the co-operative sector locally; is facing divisive or controversial decisions; or wishes to offer an additional voice to minority groups or classes within the membership. The Commonwealth Council may be convened by the board of directors at any time, or by a resolution of the members at a general meeting, or following a petition of the members in accordance with clause 2.7 (e) ii.

[Rules 6.7 b – f do not apply unless enabled in accordance with 6.7 a]

- b) *The Commonwealth council will be free to consider any matter affecting the co-operative, may publish its views on any matter, and may summon any employee or officer of the co-operative to attend their meetings and answer questions relating to the business of the co-operative. It can be dissolved only by a resolution at a General Meeting carried with more than 75% of votes.*
- c) *The size and procedures of the Commonwealth Council will be determined by its standing orders, which will be prepared by the board of directors. It must have no fewer than four members.*
- d) *If the Commonwealth Council has responsibility for qualification and nomination of directors in accordance with 2.9 (e), it will (in consultation with the board) establish objective requirements for qualification that can reasonably be met by at least some existing user members; and seek sufficient nominees meeting these criteria to ensure a contested election.*
- e) *Invitations to apply for membership will normally be publicised among the following stakeholders, unless they are specifically excluded by the board of directors:*
 - i. *Those eligible for membership under 1.5 (f) and 1.5 (g);*
 - ii. *Employees, volunteers, service users, local residents, significant suppliers and customers, and investors, that would not normally be eligible for membership;*
 - iii. *Anyone who was previously a member of the co-operative within the last five years; and*
 - iv. *Any co-operative that may be considered relevant due to geography, similarity, common membership or trading relationship;*
- f) *If at any time following such invitations fewer than eight people express willingness to serve on the Commonwealth Council, or if all but three candidates come from a single one of the categories listed in 6.7 (e), the board may suspend it until the next General Meeting due to lack of interest. Applications for membership will be considered according to the standing orders in force, subject to the requirements that*
 - i. *the process of selection for membership of the Commonwealth Council should be impartial, fair, transparent, and non-discriminatory; and*
 - ii. *members of any one of the four categories listed in 6.7 (e) should not comprise more than 75% of the Council, and no more than one person may sit on both Council and Board.*
- g) *Members of the co-operative engaged in a dispute relating to the co-operative may request the Commonwealth Council to mediate between them and shall do so before elevating any such dispute to the board or to the membership as a whole.*

7. Sustainable development

7.1. The co-operative has the general aim of evaluating its impact on the community and the environment in which it operates, and developing policies that reduce harmful impacts and increase positive impacts.

7.2. Social accounts

- a) The board of directors is responsible for preparing annual social accounts. These will consist of quantitative and qualitative data relating to the agreed indicators of achievement. They should cover, and clearly distinguish between, outputs (what the co-operative has done), outcomes (what the direct effects of this have been) and impacts (what indirect changes can be reasonably attributed to the co-operative's activities in this and previous years).
- b) The indicators used should clearly correspond to the aims and objects in these rules, and should allow where possible for comparison with other accounting periods.

7.3. Social accounting panel

- a) At least one month before being presented to the annual general meeting, the social accounts will be verified by a social accounting panel which will consider
 - i. to what extent the accounts are comprehensive;
 - ii. whether the information gathered is reliable and reasonably interpreted;
 - iii. whether the indicators used should be changed in order to better correspond to the aims and objects of the co-operative;
 - iv. whether the aims and objects of the co-operative remain relevant or require modification.
- b) The panel should be chaired by an independent, qualified social auditor, unless a general meeting allows for the current or following year's social audit panel to be
 - i. chaired by a lay social auditor, or
 - ii. chaired by a member of the co-operative, in which case the chair of the panel may not be a board member, unless more than half the members of the co-operative are directors.
- c) The panel will be made up of members of the co-operative approved by the board and commonwealth council (if it is active). If the membership of the co-operative is more than 20, there will be at least three members of the panel in addition to the chair.

Signatures of founder members:

A. Moran

Chris Croome

Alex Lawrie

Full names in block capitals:

ADAM MORAN.

CHRIS CROOME

ALEX LAWRIE

Secretary:

J. Cook

JONATHAN COOK

Accepted as a model by the Financial Services Authority 2014



Somerset Co-operative Services CIC

This document is licensed under the Attribution-ShareAlike 2.0 UK: England & Wales license, available at

<http://creativecommons.org/licenses/by-sa/2.0/uk/>