



## Introducing a new IPS: the Multistakeholder Co-operative (Somerset Rules)

Registered under the Industrial and Provident Societies Acts 1965-1978

If you are registering a social enterprise, consider using these new rules. They have a number of advantages that you may benefit from:

- *different stakeholder groups can have a balanced voice in the business*
- *co-operative rules ensure accountability and internal democracy*
- *ability to issue transferable and withdrawable shares*
- *bring in 'non-user' members with limited rights*
- *built in social accounting to maintain strong social returns*
- *mission orientated rules set a clear vision and direction*
- *future proofed against changes in the law*
- *plain english rather than legal english wherever possible*

There are already several excellent sets of co-operative rules already available from other promoting bodies – notably Co-operatives UK (worker co-ops, community co-ops and many others) and Catalyst Collective (fully mutual housing co-operatives). However, these new rules will have some important applications.

If your enterprise serves more than one distinct group of beneficiaries (for example, producers and consumers) you can ensure that neither group can dominate – even when the number of members from each group is very different.

If you need to raise finance, and either do not wish to overload the business with debt, or have an element of risk that puts off many lenders, these rules are fully equipped to issue both withdrawable share capital (which is lightly regulated and cheap to issue) and transferable share capital (more attractive to some more adventurous investors). Investors can be user members of the co-operative, or non-users with only enough power to protect their investment – or a mixture of the two.

You can determine the specific mission that your enterprise is being formed to carry out, and ensure that its progress is regularly checked against this mission, and against the tried and tested co-operative principles. You can be sure as a founder member that the enterprise will stick to its values over the long term, because social reporting and evaluation is written into the rules in just the same way as financial accounting.

The rules have advanced systems suitable for larger co-operatives, but can equally function with minimal bureaucracy to serve the needs of a smaller group with limited resources.

If you wish to register a co-operative using these rules, you can make up to six amendments with no extra charge. Please check our list of pre-amended variants, which include rules for Community Land Trusts, Community Supported Agriculture Schemes, Common Ownership Co-operatives and others.

### **Somerset Co-operative Services CIC**

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# List of rules

## Standard Multistakeholder Co-operative

A flexible template with all possible uses and functions left open. Not the simplest rules, but well futureproofed.

## Common Ownership Multistakeholder Co-operative

In these rules, the indivisible reserve is fixed at 50% of all profits and returns on investment to non-user members are limited to 3% above bank lending rates. In addition, non-user members are denied any voting rights. On dissolution, all shares are repaid at par.

## Multistakeholder Co-operative Lite

For those wanting to avoid complex rules and burdensome requirements. These rules are based on the Common Ownership variant described above, but with additional simplification. There are only user members, and voting is by simple ballot of all present (though if one class disagrees with the outcome, they can request a further meeting). There are no 'key decisions' unless they are requested by a meeting.

## Multistakeholder Workers Co-operative

This is designed for co-operative entrepreneurs wanting to build up and sell an equity stake in their business. It allows for members to build up shares in the business as it grows, based on their contribution to its success, and then become investors (non-user members) when they leave the co-op and benefit from the rise in value of their shares. At the same time, 20% of profits are always transferred to an indivisible reserve for the benefit of future members.

## Secondary Co-operative

Suitable for co-operatives working together, whether it is to raise finance, develop a brand or franchise, or provide mutual aid.

## Co-operative Community Land Trust

A community land trust with many of the features of a housing co-operative, but with the opportunity for members of the local community to join: control is split 60/40 in favour of tenants. It is based on Common Ownership Rules, but members cannot receive a co-operative dividend. Non-user members may be either investors, or supporters and specialist advisors, but they do not vote.

## Community Supported Agriculture Co-operative

In this template, producers and consumers each control precisely 50% of the votes, allowing for a fair balance of their interests within the co-operative.

## Employment Creation Co-operative

This is designed for enterprises that are initiated by social entrepreneurs with the intention of creating employment and allowing those employees to take an increasing role in the running of the business over time. Employees have 50% control, with 25% control for members of the local community and 25% for outside investors. If used for an existing business, the established owners and managers could become investor members and founder directors. The owner directors could then be gradually replaced with elected directors (either employees or community representatives) over a four year period.

## Mutual Trading Multistakeholder Co-operative

Co-operatives with mutual trading status (that is, they trade exclusively with their own members) can benefit from relief on corporation tax. The rules have been modified to show the only participants in surpluses being contributors, and all contributors participating; further, 100% of assets are distributed on dissolution. There are no transferable shares.

## Insert your own variant here!

There is considerable scope for including amendments from one of our variants in others – for example, you can have a secondary co-operative lite, or a community land trust with simple voting arrangements. We are happy to work with you to create the idea arrangement for your co-operative

## Prices for registration:

Registrations and conversions:	£190, or £90 followed by three quarterly payments of £40
Whole rules amendments:	£70

View our templates at [www.somerset.coop](http://www.somerset.coop); email [registrations@somerset.coop](mailto:registrations@somerset.coop) or call 0845 458 1473