

Multistakeholder Co-operative (Somerset Rules 2014) Articles

Registered as a Community Interest Company limited by guarantee under the Companies Act 2006

I. **Open and voluntary membership**

- 1.1. The name of the Company is:
- 1.2. The registered office of the Company is in England or Wales.
- 1.3. **The company is to be a Community Interest Company.** Its objects are to benefit the community in accordance with co-operative principles in order to achieve this mission:

.....
.....;
in addition to the general aims described in 1.4, 2.1, 3.1, 4.1, 5.1, 6.1 and 7.1 below.

- 1.4. The company 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 subscribers to the Memorandum are the first members of the Company. Such other persons as are admitted to membership in accordance with the Articles shall be members of the Company.** They will be drawn from one or more categories of stakeholder, corresponding to the different type of involvement those stakeholders have with the co-operative.
 - b) The Company is managed co-operatively in that user members, who are the main beneficiaries of the Company's services, play the principal role in its direction . 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 membership 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 required to withdraw, cancel or transfer memberships such that they have membership in one class only.
 - 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: Class number:
 - g) The non-user membership classes are as follows:

1.6. **Applications for membership**

- a) **Every person who wishes to become a member shall deliver to the company an application for membership in such form (and containing such information) as the Directors require and executed by him or her.** Applications will be considered 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 transactions with the co-operative that qualify an applicant for membership in each class.
- b) The board has the right to refuse membership where it believes there is good reason to do so. **No person shall be admitted a member of the Company unless he or she is approved by the Directors.**
- c) **Membership is not transferable to anyone else.**

1.7. **Cancellation of membership**

- a) Membership is terminated if:
 - 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;
- 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;
- v. the member dies or ceases to exist;**
- vi. otherwise according to the Articles; or**
- vii. 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 special resolution 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.

1.8. Register of members

A register of members is kept at the registered office, and will include:

- a) the name and address of every member;
- b) any loans or other property held by members;
- c) the date on which the member's name was entered on the register, and the date on which they ceased to be members;
- d) 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.

Information in (b) above will not be available for viewing other than for administrative necessity.

2. Democracy

- 2.1. The Company has a general aim of consulting with, empowering and serving its membership.
- 2.2. The sovereign body of the Company is the general meeting, which will appoint a board of directors to manage the Company, 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 (other than a vote on procedure) to be deferred to allow for the development of consensus.
- 2.4. Where a member is 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 Company 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. **A person who is not a member of the Company shall not have any right to vote at a general meeting of the Company; but this is without prejudice to any right to vote on a resolution affecting the rights attached to a class of the Company's debentures.**
- 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 Company'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 Company, 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. resolutions to wind up or dissolve the society (on which only user members may vote);
- d) Expulsion of a member, or dissolution of the commonwealth council, requires a two thirds vote in favour.
- e) Certain proposals may, even if they fail to achieve a majority, nonetheless constitute a petition that the Company 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) In a counted vote at a general meeting, 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% share of voting strength; and all non-user member classes combined do not exceed 25%]

Class number	% share of voting strength (totaling 100%)
I	100%

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 available votes in that class. 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 above to achieve this).
- 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.

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 **[Select one option only]**
 - [Option 1]** all directors will resign so that those wishing to continue must seek re-election.
 - [Option 2]** half of the board, being those who have served longest, will resign so that those wishing to continue must seek re-election.
 - [Option 3]** a third of the board, being those who have served longest, 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.
- i) Questions arising at a Directors' meeting shall be decided by a majority of votes.**
- j) In all proceedings of Directors each Director must not have more than one vote.**

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; and
 - iii. there are five members present from any class in which there are more than fifty members.
- b) A quorum is present at a board meeting if three directors are present.

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 amend 2.6 (a), or would remove this clause, unless the amendment is approved by a general meeting attended by two thirds of the user members.

3. **Application of Profits**

- 3.1. The Company 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 Company 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 funds borrowed from user members will not exceed the highest rate for fixed term business lending published by the Co-operative Bank.
- 3.3. **The Company shall not transfer any of its assets other than for full consideration. Provided the conditions in article 3.4 b are satisfied, article 3.3 shall not apply to:**
 - a) **the transfer of assets to any specified asset-locked body, or (with the consent of the Regulator) to any other asset-locked body; and**
 - b) **the transfer of assets made for the benefit of the community other than by way of a transfer of assets into an asset-locked body.**

Some interest and salary payments, as well as being subject to this rule, will be 'key decisions' requiring the process specified in rule 4.7.

3.4. **Application of annual profits**

- a) Profits of the Company will be applied as follows:
 - i. to form a general reserve for the continuation and development of the Company;
 - ii. to use at least 10% of profits to benefit the community by supporting the work of secondary co-operatives or federal bodies of which the Company is a member, or otherwise support the development of the co-operative movement; and
 - iii. to make payments for the purposes specified in 3.3 above.
- b) **The conditions are that the transfer of assets must comply with any restrictions on the transfer of assets for less than full consideration which may be set out elsewhere in the memorandum and Articles of the Company.**

3.5. **Division on dissolution**

- a) In the event of the winding up or dissolution of the Company the assets of the Company will first, according to law, be used to satisfy its debts and liabilities. In the event that any assets remain to be disposed of after its liabilities are satisfied, the remaining assets will be transferred to the specified asset locked body, which is:

[Name]

[Company or IPS register no.]

- b) If no organisation is specified, or if it proves not to be asset locked at the time of dissolution, the specified body is The Co-operative College (charity number 1060008).
- c) 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 to these rules will be made that could reduce the amount of assets transferred, or allow for their transfer to an organisation with no asset lock.

4. **Autonomy and independence**

4.1. The Company 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**

Debt securities will not be issued, or loans received, if it would result in one natural person holding more than a quarter 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. 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.
- b) 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 Company. 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. The board of directors will regularly review all contracts and undertakings to ensure that the Company continues to be controlled by its membership.

4.7. **Key decisions**

- a) The board of directors, on behalf of the Company, may make any contract, and carry on any activity, that is within the law and in the opinion of the board, may benefit the Company'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 Company 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. compulsory redundancies;
 - vii. nomination of Directors to the board, where the board itself plays an active role in this;
 - viii. any payment of interest on debt securities 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.

5. Education and information

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

5.2. Public identity

- a) If the trading name of the Company does not include the word 'co-operative', then, the Company will by other means 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 Company will provide at least one communication to its members that either lists the co-operative principles, profiles other democratic social enterprises, or advises members how they can become more involved in one or more other such enterprises.

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 is below £10,000);
 - iii. annual returns and any other documents submitted to the Financial Services Authority;
 - 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 , 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 Company will appoint a person qualified to the standard required by law who is neither a member nor an employee of the to audit the '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) Accounts will be audited and examined to the standard required by law.
- 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 Company's affairs for the required period to the Financial Services Authority, 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 Company 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 Company 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 Company.
- 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 Company 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 Company, may publish its views on any matter, and may summon any employee or officer of the Company to attend their meetings and answer questions relating to the business of the Company. It can be dissolved only by a resolution at a General Meeting with more than two thirds 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) *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 Company within the last five years; and*
 - iv. *Any co-operative that may be considered relevant due to geography, similarity, common membership or trading relationship;*
- e) *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 (d), 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 (d) should not have more than 75% of votes on the Council, and no more than one person may sit on both Council and Board.*
- f) *Members of the engaged in a dispute relating to the 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 Company 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 has done), outcomes (what the direct effects of this have been) and impacts (what indirect changes can be reasonably attributed to the '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 Company;
 - iv. whether the aims and objects of the Company 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 Company, in which case the chair of the panel may not be a board member, unless more than half the members of the are directors.
- c) The panel will be made up of members of the Company nominated by the commonwealth council. If the membership of the is more than 20, there will be at least three members of the panel in addition to the chair.

Signatures of founder members:

Full names in block capitals:

Secretary:



Somerset Co-operative Services CIC

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