



Introducing the 2012 update of the Somerset Rules Multistakeholder Co-operative

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*
- *available as IPS Society (best for share issues) or Community Interest Company (best for asset lock)*
- *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. However, they are necessarily more complex than other co-op rules, and not recommended for groups with limited skills and experience.

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Some possible applications

Local Authority Supported Co-operative

Some co-operatives are established with support or oversight from a local authority: including it as a 'non-user' member ensures that it has a voice, but does not dominate.

Common Ownership Multistakeholder Co-operative

Enabling this option ensures that the assets of the co-operative are always retained for the benefit of the community (this is the default in the Community Interest Company version). On dissolution, all shares are repaid at par. IPS co-ops can combine this with co-operative dividend to users, or choose to reinvest all profits.

Keeping it simple

The rules work perfectly well with just one stakeholder group, or multiple groups voting as a single class. This makes their operation simpler, and allows you to focus on the benefits of social reporting and high standards of co-operative operation. You can even gain the tax benefit of mutual trading status, if you trade only with members.

Multistakeholder Workers Co-operative

Co-operative entrepreneurs wanting to build up and sell an equity stake in their business can use these rules to provide an exit route with share options. 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.

Secondary Co-operative

Suitable for co-operatives working together, whether it is to raise finance, develop a brand or franchise, or provide mutual aid; the non-user shares can then be used to finance the growth of the consortium.

Insert your own variant here!

The rules are written with many different variables and options to choose from – you can fine tune them to meet your own needs.

Prices for registration:

Registrations and conversions: £250, or £90 followed by three quarterly payments of £180

Whole rules amendments: £70

Consultancy and drafting: normally £50 an hour; ask about your requirements

View our templates at www.somerset.coop; email registrations@somerset.coop or call 0845 458 1473

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 can be split so as to give the less numerous tenants a guaranteed voice. It requires the common ownership option with no co-operative dividend (though investors can always receive interest on their shares). Non-user members may be either investors, or supporters and specialist advisors, but they do not vote.

Community Supported Agriculture Co-operative

In this arrangement, 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

Using these rules, enterprises can be 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 can 50% control, with 25% control for members of the local community and 25% for outside investors. If used for conversion of 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 (who could be any combination of employees or community representatives).

Worker / consumer co-op hybrids

Co-operatives depend on the support and engagement of both workers and consumers. However, in many cases the latter will heavily outnumber the former; while the workers day-to-day role may give the impression of a closed clique. These rules can ensure a fair division of power in all big decisions, as well as providing the option of a 'Commonwealth Council' to provide additional checks and balances.