**PLUNKETT FOUNDATION’S GUIDANCE NOTES FOR USE OF THESE MODEL RULES**

**These Guidance Notes are not part of the Model Rules and are not formulated by the FCA**

**Using these Model Rules**

The use of model rules for the registration of new societies is intended to save costs on application. At the current time (March 2022), an application to register a new society using model rules for Plunkett members without any amendments to the model costs £310 (£570 for non-members). The costs increase as the number of amendments to the model increases (between 1 and 6 amendments - £406 (£666 for non-members); between 7 and 10 amendments - £682(£942 for non-members). Completing blanks in the model (eg inserting the name of the society) does not count as an amendment.

**Support Available**

On the Plunkett website you will find an abundance of resources and recorded webinars to help you complete your model rules, write policies and processes please ensure you utilise these. Plunkett’s Training Hub offers workshops on these aspects, of specific interest to your community business at this stage will be training on the Roles and Responsibilities of the Committee, these sessions run regularly please check the website for our latest training sessions, or subscribe to our e-updates.

Plunkett support is also available, please do contact us if you are experiencing any difficulties, have questions or concerns at any point: info@plunkett.co.uk, 08455 571469 or online via our [enquiry form](https://plunkett.co.uk/form-general-contact).

**Submitting your Documents**

Please complete the check list below and return it, alongside your Model Rules and FCA forms to Alison Macklin via email, alison.macklin@plunkett.co.uk. Please include your community business name in the subject of your email.

**The Rules**

**Rule 1.1** Insert the proposed name of the Society. The name, which will include the word “Limited” (Ltd is not acceptable), needs to be available and acceptable**. The name of the Society** must exactly match the name in the FCA application and cannot include anything contentious such as Co-op, Royal, King, Queen, Company etc and for guidance on this see: <https://www.fca.org.uk/publication/finalised-guidance/fg15-12.pdf>

**Rule 1.2** The registered office, which is the place to which all communications and notices to the Society may be addressed, must be in Great Britain or the Channel Islands. It can be any postal address and is easy to change later under the forms section of the FCA website <https://www.fca.org.uk/firms/mutual-societies-forms>

**Rule 3.3.1** The model rules provide for a minimum age to be specified. Unless a minimum age is stated in the rules, the law presumes that there is no minimum age for members. Where under these rules substantial share capital is to be raised from members, Plunkett Foundation recommends that legal advice is taken if the minimum age is to be lower than 16. Subject to that, it recommends that the minimum age is not lower than 14.

**Rule 3.3** It has been suggested that 51% of the total membership should be comprised of local residents. This could be hard to police or enforce. It can be up to the Board to use ‘reasonable endeavours’ to ensure that at all times at least 51% of members are local.

**Rule 5.1** The recommended size of a Management Committee is for a maximum number of 12 members. The rules don’t disallow an employee to be on the Management Committee but no Management Committee member should vote on any matter for which they have personal, financial or other material interest.

**Rule 5.6**

**Rule 5.8** The statutory minimum age for serving on the Management Committee is currently 16.

**Rule 5.9** The Management Committee must adopt a code of conduct and ensure new committee members in subsequent years also sign. A template code of conduct is set out following these Guidance Notes below, which can be adopted in that form, or amended.

**Rule 5.11** Where possible, it is preferable for the Chairperson, Secretary and Treasurer to be elected from amongst the elected members of the Management Committee.

**Rule 6** Audit requirements are fully explained in the FCA’s registration guidance. <https://www.fca.org.uk/publication/finalised-guidance/fg15-12.pdf>

**Rule 7** It is our preference that no new rule should be made or any of the rules repealed or altered without first discussing the suggested changes with Plunkett Foundation.

**The approval of a Change of rules** – must have a special Members Meeting to agree to do this. It can be tagged on to an Annual Members Meeting as a separate meeting to discuss changes.

**Rule 7.5 Restrictions on use** – This is the asset lock. A CBS has a statutory asset lock that cannot be removed. In a solvent winding up, any surplus must go to another asset locked body.

**Rule 8** These model rules only provide for withdrawable shares. No member of a registered society may have any interest in the withdrawable shares of the society exceeding £100,000 being the statutory maximum, with limited exceptions.

While a society can increase the shareholding limit in its rules to £100,000, it should consider, based on its circumstances and the views of its members, whether it is appropriate to do so.

Community Shares Unit guidelines advise restricting the maximum individual investment to 10% of its total capital requirements. This will reduce the risk of the society being dependent on larger investors, which in turn could create liquidity problems if a larger investor wants to withdraw share capital. Exceptions can be made for institutional investors, as long as safeguards are in place to protect the interests of other members. <https://communityshares.org.uk/resources/handbook/minimum-and-maximum-shareholdings>

It is recommended that a society should seek legal advice if it wishes to amend these model rules to permit shares that are not withdrawable.

**Rule 8.4.1** This rule is most often applied during a start-up period. If in the future you want an open offer for members to join or leave the Society on a regular basis, this three year period should be reviewed.

**Rule 8.4.2** Application for withdrawal – if withdrawals are to be made available from trading profits rather than reserves, the management committee, at their absolute discretion, can allocate a proportion of profits for the repayment of share withdrawals. This means that withdrawals will be made after the Society’s year end and any requests that cannot be funded from that years allocation will need to be carried forward until the following year, or until the request can be met. We require you formulate a shares withdrawal policy that can be made available or included in an application for withdrawal that explains that withdrawals may not be paid immediately following three-month’s notice period.

**Rule 8.4.5** Plunkett Foundation recommends issuing a withdrawal policy to make the terms clear to investors with the Share offer document. You may want to consider distribution on a pro-rata basis if applications for withdrawals are over-subscribed.

**Rule 8.5** Plunkett Foundation recommends issuing a payment of interest policy to make the terms clear to investors. This may be by deciding a minimum level that attracts interest in line with the rules, whether payments will be made by adding to a share account or by vouchers, bank transfers etc. The rate of interest may vary each year dependant on the financial position

**Rule 9.6** A deposit for the purpose of 9.6 is referring to deposits as defined by regulation 5 of the Financial Services and markets Act 2000 (Regulated Activities) order 2001. The definition of the Order classes deposits as either:

* Money received that is lent to other; or
* Money used to finance to a material extent any other activity of the deposit taker.

Our advice is that this excludes [reverse credits](https://plunkett.co.uk/wp-content/uploads/Reverse_Credit_Scheme.pdf).

**Rule 9.16 Management Committee and Officers’ indemnity** - As a Limited Liability Community Benefit Society,, Officers are protected as long as they have not acted fraudulently or irresponsibly. Many chose to have additional insurance offered through membership.

**Rule 9.17 Death of a member** - Regarding dealing with the death of a shareholder, here is an extract from the Community Shares handbook which may help:

https://www.uk.coop/resources/community-shares-handbook-pdf

Some societies choose to include a section in their share application form that encourages the applicant to nominate one or more beneficiaries of their shares in the event of the member’s death. This may be seen as a promotional tactic to encourage applicants to think of share capital as a long-term investment for the benefit of future generations.

Please see Plunkett Community Shares Withdrawal and Dispersal Policy for further information.

**Rule 10**  These provisions apply where these model rules are adopted upon first registration.

**Rule 11**  These provisions apply where these model rules are adopted on a complete change of rules. This excludes updating of the model rules from an Industrial and Providence Society.

**Essential Checks Before Submitting Your Plunkett Model Rules**

**This check list has been designed to help you develop, and successfully submit and implement, your Plunkett Model Rules.**

Please complete the check list and return it, alongside your Model Rules and FCA forms to Alison Macklin via email, alison.macklin@plunkett.co.uk. Please include your community business name in the subject of your email.

Documents sent by email are sent at your own risk. This is a non-secure method and we cannot guarantee we will receive all emails and/or attachments so if you have not received a response within 5 working days please contact us again.

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| **Please tick to confirm the following prior to submitting your forms** |
| * You have received advice from a Plunkett Adviser regarding community shares.
* You have investigated and understand the legal structure of a Community Benefit Society.
* You have completed both the FCA application form and the Plunkett Model Rules document and will return both directly to Alison Macklin at Plunkett.
* Within the Model Rules you have inserted your societies name (Rule 1.1).
* Within the Model Rules you have inserted the address of your registered office (Rule 1.2).
* Within the Model Rules you have inserted the minimum age for Members (Rule 3.3).
* Within the Model Rules you have inserted the maximum number for members of the Management Committee (Rule 5.1).
* Within the Model Rules you have inserted the cost of your community shares (Rule 8.1).
* Within the Model Rules you have inserted the minimum number of shares for a shareholding (Rule 8.3).
* You have signed the Model Rules (Part 12)
* Your signatories on the FCA application form and the Model Rules document are aware they are signing a legal document.
* The secretary understands their legal role.
* In section 3.10 of the FCA form you have carried out full due diligence and completed fully.

 “We need the society’s founding members to check the UK public registers that will hold details about an individual’s senior position (secretary/director/trustee) such as Companies House/Charity Registers and declare to us all their senior positions with other organisations (these could be charities, societies, companies, councils etc.) They must declare any connections to other organisations.”* You have read the application guidance notes in full.
* You have logged on to the Plunkett Community Business Salesforce Platform and provided us with contact details for the committee members.
* You are aware of Plunkett membership and know that membership gives you access to a discounted Model Rules service.
* You have funding available to pay for the Plunkett Model Rules service (fees outlined at the start of the Guidance Notes).
* You have considered insurance for your Management Committee.
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