

INTRODUCTORY GUIDE

Creating Good Governance

How to manage your membership,
issue and manage community shares,
comply with data protection and
other governance duties





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This guide has been produced as part of Plunkett UK's support for rural communities looking to save or set up a service through community ownership.

This guide complements Plunkett's core advisory service; for further help and support on setting up a community business, or if you would like to find out more about the benefits of becoming a Plunkett member, please email info@plunkett.co.uk or call us on 01993 630022 or visit our website at www.plunkett.co.uk.

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Introduction

This guide covers the common governance issues that a society must address. We hope that it will assist a society in ensuring that it is run in line with best practice and provides openness and transparency to its members.

Ultimately the success of a society will depend on the quality of the relationships between the customers, members, management committee and staff or volunteers, and good governance procedures will provide a structure that enables these relationships to develop in ways that make the business stronger.

1. Issuing community shares

Community groups seeking to buy the premises of their pub will need to raise significant finance to do so and the main source of that is likely to be the local community who want to live in a place with a lively pub. It's important to understand that having the right legal structure makes a very big difference at this critical early stage.

This is because inviting the general public to invest in a company is a regulated activity under the Financial Services and Markets Act which means that documents promoting the investment opportunity to the public must be signed off by an 'approved person'. This is an expensive, burdensome process; costs vary, but start in the region of £15,000 but can easily get closer to £50,000, and regardless of what you pay, the resulting documentation is often dense, inaccessible and can be off-putting to the ordinary people who will be the bulk of your investors.

So, whilst a **Community Interest Company** has many features that make it an attractive choice, because it is a company, investment in it is unfortunately subject to this regulatory framework.

Co-operative and Community Benefit Societies, however, are exempt from these regulations when they issue non-transferable, withdrawable shares – also known as Community Shares – which is why the vast majority of community-owned pubs operate through a **Community Benefit Society ('CBS')** and issue community shares to their local community investors.

Because it doesn't need to jump through lots of legal hoops, the resulting share offer documentation is much more 'relatable' and isn't full of jargon but instead uses simple plain English to get across what the ins and outs of the share issue are.

All offers of investment in equity or debt offered outside of a mainstream bank or building society,

regardless of whether they are signed off by an approved person or not, will not be covered by the Financial Services Compensation Scheme nor do their investors have recourse to the Financial Ombudsman.

The great majority of community organisations that have bought or are in the process of buying their pubs use the CBS model, therefore, as it is easy to use and very low cost.

There is no standard or legally required format for the offer documents but, over time, a set of best practices has evolved. This has in part been driven by grant making bodies which like to see high levels of governance in groups they support.

Shares can be issued either through a time-bound share offer where a certain amount needs to be raised by a deadline (typically when raising a large amount for the purchase of a pub), or through ad hoc sales to individuals at any time when a business is at a more 'mature' phase with more predictable capital needs and income (called an 'open' share offer).

Some grant makers prefer to support share offers that have received the 'Standard Mark' accreditation. This can be obtained when the document is signed off by a licensed reviewer who verifies that the documentation meets best practice guidelines laid down by the Community Shares Unit.

Useful information can be found on these websites:

FCA

<https://www.fca.org.uk/firms/approved-persons>

Community Shares Unit

<https://communityshares.org.uk/resources/handbook>

TIP

Plunkett has a set of Model Rules that you can register your CBS with the FCA at a discounted rate for members.



2. Maintaining your shareholder base

Records management is knowing what you have, where you have it and how long you have to keep it.

The register of shareholders

When shares are issued to members (who may also be termed shareholders), the members' holdings must be recorded in a register.

The law is quite specific regarding the information that must be entered on the register for each member:

- the member's name and postal address
- the email address, where the member has notified the society of such address for the purposes of receiving notices or documents, and the purposes for which it has been notified
- the number of shares held by the member and the amount paid or agreed to be considered as paid on the shares
- a statement of other property in the society held by the member (whether in loans, deposits or otherwise)
- the date the person was entered on the register as a member
- the date the person ceased to be a member

The law also requires details of the officers of the society (those making up the management committee or board) to be set out in the register. The required information is:

- the name and postal address
- the email address, where the member has notified the society of such address for the purposes of receiving notices or documents, and the purposes for which it has been notified
- the office held
- the date the person took office

The register may be kept and managed through either making entries in bound books, or (more likely) recording the information in another way – typically this will be on a spreadsheet using software such as Excel.

However the information is kept, care should be taken to avoid its falsification, to facilitate recovery and to protect the personal data contained in it.

When using spreadsheets, it is advisable that the register is kept in a password-protected file stored on a remote server and should be accessible to the management committee or designated members of the committee. This information should not be solely saved on personal computers or laptops etc. which can be lost or stolen.

TIP

Air register has been developed by experts in the Community Benefit Society field to help you maintain your register in an accessible way, which meets all the requirements of the law, and helps you manage things like interest payments and withdrawal payments, and best of all, it's free to use.

See www.air-register.co.uk



The 2014 Act requires that members be able to view the register as a whole, without being able to see how many shares or other property anyone other than their own. This might be via a duplicate register or a software a solution that uses different ‘views’ to prevent people seeing information they aren’t allowed to see, whilst making information visible that they can.

As the society’s requirements to keep a register and allow access are defined in statute law GDPR is not a valid reason to deny a request by a member to inspect the register (but GDPR does apply with how the society manages the data and uses it in ways above and beyond what is required by the 2014 Act eg giving emails addresses to third parties such as marketing companies).

It is important to note that entries in the Register are prima facie evidence of the information contained.

Physical share certificates may be issued to shareholders but this is not a legal requirement, and in the event of a discrepancy between what a share certificate says, and the register, the register takes precedence.

Managing share withdrawal

One of the distinguishing characteristics of shares held in a CBS is that they may be withdrawn by the investor, subject to the rules of the society.

Usually the rules of the society will set out the policy governing the withdrawal of shares and these will typically include these details:

- Shares may be withdrawn by members who have held them for a minimum period, for example three years or such other period as the management committee decides.
- Applications for withdrawal are made according to a procedure that's usually laid down in the society's rules and usually specifies a minimum notice period to be given, and the member makes the request using a specific form created for the purpose by the management committee.
- The management committee may specify a maximum amount of its total capital that can be withdrawn in that particular financial year (e.g. not more than 10% of total share capital)
- All withdrawals must be funded from trading surpluses or new share capital raised from members.
- All withdrawals are at the discretion of the management committee having regards to the long-term interests of the society, the need to maintain prudent reserves, and the society's commitment to community benefit.
- All withdrawals shall be paid in the order in which the requests were received, up to any maximum total withdrawal specified for the financial year, following which no further withdrawals may be made.
- Except where a member intends to terminate their membership, they shall not be permitted to withdraw shares leaving them with less than the minimum required by the rules.
- The management committee may waive the notice required for a withdrawal and may direct payment to be made without notice or on such shorter notice as it considers appropriate.
- The management committee may suspend the right to withdraw shares either wholly or partially, and either indefinitely or for a fixed period. The suspension shall apply to all notices of withdrawal, including those which have been received and remain unpaid at the time. Where the suspension is for a fixed period, it may be extended from time to time by the management committee.
- During any period when the right of withdrawal has been suspended, the shares of a deceased member may, if the management committee agrees, be withdrawn by their personal representatives on giving such notice as the management committee requires.
- A claim on the shares of a bankrupt member may be made by a trustee in bankruptcy, where the trustee has become entitled to any property of the bankrupt party. The shares may be disposed as the trustee may direct.
- The personal representative of a deceased member may, as in the case of a bankrupt member (above), claim the shares of a deceased member which may be used as the personal representative directs.
- The society may deduct such reasonable sum to cover administrative costs of withdrawal from the monies payable to a member on the withdrawal of shares

The key issues are that withdrawal is at the discretion of the management committee and any withdrawal should not endanger the viability of the society.

The FCA's guidance, published in November 2015, states that a society should only allow the withdrawal of shares if "it has trading surpluses that match or exceed the value of shares involved, and the directors believe that the society can afford to pay its debts taking into account all of its liabilities (including whether it will be able to pay its debts at the date of withdrawal, and for a year after that, any contingent or prospective liabilities) and the society's situation at the date of the transaction".

The Co-operative and Community Benefit Societies Act 2014 has little to say about the withdrawal of share capital. However, Section 124 of the Act makes members fully liable for the value of their share capital held up to one year prior to the society being wound up, in the event that the society becomes insolvent, **even if the member has withdrawn their share capital and ceased to be a member of the society**. This places a duty on directors not to allow the withdrawal of share capital if there are grounds to believe that society may become insolvent. The withdrawal of share capital should be restricted or suspended if the liabilities of the society exceed its assets, or are in danger of becoming so in the next twelve months.

What this means in practice is that committees need to be able to answer 'yes' to at least one of the first two questions, and also the third question when considering whether to allow withdrawals:

1. Is the 'retained earnings' line on your balance sheet positive and greater than the value of shares to be withdrawn?
2. Is there new share capital invested this year greater than the value of the shares to be withdrawn?
3. Can you reasonably and reliably assume that we can operate solvently if the withdrawal request is allowed and the sum of cash leaves the society?



Dealing with the death of members

The 2014 Act sets out procedures that a society should adopt when the management committee is advised or becomes aware of the death of a member. Full details can be found at: <https://www.legislation.gov.uk/ukpga/2014/14/contents>

What happens on a member's death depends on two factors:

- the value of their shares in and loans to the society
- whether they have made a nomination of an individual.

Where the total investments at the time of the member's death are £5,000 or above, the society has to wait to be informed by the member's executors as to what should happen to their investments.

Where the investments are less than £5,000, then the society board is allowed by the Act to decide what happens next, which is governed by whether or not the member has made a nomination prior to their death as to which individual(s) should receive their investment.

- Some societies choose to include a section in their share application form that encourages the applicant to nominate one or more beneficiaries, but nominations can be made at any time and must state clearly who the investment should be transferred to, be signed by the member and received before their death.

- The society must keep a book recording the names of all members for whom it has received nominations and of any subsequent revocations or variations (NB any nomination is automatically revoked by a marriage or civil partnership).

When the society has satisfactory proof that the member has died, the committee can authorise the transfer in accordance with the instructions in the nomination, and a nomination trumps the wishes expressed in a will if there is any conflict.

If there is no valid nomination (because the member who has died hasn't made one, or perhaps where the nominated recipient has themselves died), the committee authorises the transfer to anyone (apart from one of its own officers) it thinks best. Even so, despite having this freedom to transfer the shares to whom they would like, a society should make contact with the deceased member's next of kin or executors to establish what would be an appropriate way forward, which might include the society cancelling the shares instead of transferring them to other people.

For the avoidance of doubt:

- Investments can be transferred in parts to different people, so for example a parent's investment of £2000 can be split into 4 separate £500 investments for each of their 4 children.
- They can be also transferred to new joint owners, as long as your rules provide for joint memberships, so a parent's investment of £2,000 is transferred into the name of their 4 children jointly.
- If a nomination is made when the member's investment was below £5,000 but it has subsequently increased through additional investment to more than this, then the original nomination is no longer valid, and the transfer must be dealt with by the member's will.

- Regardless of which process is used to guide the society, when the committee are clear about who should receive the investments, they should either transfer the investment to them but can also pay them the full value of the investments.

If the society has not got the ability to make withdrawals because it doesn't have sufficient profitability, it will have to use new share capital to enable the receiving member to exit the society with the cash. This is why a withdrawals policy can help, to make it clear what your stance will be towards people inheriting shares requesting to withdraw is; it is much better to fall back on a policy than to make policy on the hoof when negotiating with grief-stricken inheritors.

- If you are able to permit withdrawals in general because of general profitability but don't want to pay the sums due in a single sum, you can agree with the inheriting member to convert the investment into a debt to be repaid as per a schedule.
- If the person who is receiving the investments is already a investor, and the combined size of their own investments and the ones they are to receive takes them above the maximum permitted investment (which will be either stated in the society rules or will be the legal maximum of £100,000) then the transfer will be restricted to the amount that keeps the receiving members total investment at the level of whatever the maximum is, and the remaining amount must either be paid to them, or else converted into a debt to be paid back as per an agreed schedule.

- If the nominee is under the age of 16, the society may pay any sum due to either a parent or guardian of the nominee; or any other person aged 18 or over who undertakes to hold it on trust for the nominee or to apply it for the nominee's benefit and whom the society considers to be a fit and proper person for the purpose.
- If the society is engaged in direct operation of the community business (where work is done by paid employees of the society and/or volunteers) then the transfer of investments benefit from Business Relief for Inheritance Tax.



3. Paying interest on shares

Deciding to pay interest

The first reason for investing in a CBS is always to view it as an investment in one's community rather than see it as a way of achieving personal financial gain.

One of the key attributes of community shares, however, is the ability of the society to pay members interest on their investment and there is no doubt that for many potential investor this is an attraction.

Each society will have its own policy regarding such payments: for example, it may be decided that no interest be paid in the first three years of operations; or that no interest will be paid on Shareholdings below a certain level; or that interest will be capped at a specific level.

Whatever the policy is, the decisions to accrue and pay interest and the applicable interest rate are taken at each AGM by the membership, based on a proposal by the management committee.

It is important to bear in mind that interest can only be paid if the society has sufficient profits or reserves to do so and that there is no obligation on the society to make interest payments; interest is, from an accounting perspective, an operating cost.

As a Community Benefit Society, it's important to note that profits are never to be paid, and interest is not and never can be seen as a form of profit distribution. It is a payment to members for the use of the member's capital, and as such is a cost of doing business deducted from taxable income when calculating the society's surplus.

It should be declared in advance of the year-end in which it will be paid and whilst it might be suspended if the society board do not think it prudent to pay it, or reduced from its declared headline rate in the rules, it cannot rise above the rate advised or in the rules, even if trading circumstances would otherwise allow more interest to be paid. Societies which breach this would be in danger of breaching the FCA's conditions for continued registration, which ultimately could result in the society losing its limited liability status.

How to pay interest

If interest is due to be paid in line with the AGM decision and the society has the financial ability to make the payments, how should it be done?

Calculate the amount

Fortunately, with widespread use of spreadsheet software such as MS Excel, it is easy to calculate what is due to each member (and even easier using the Air Register system which is designed to make this very easy).

Make the payment

The most usual way to make the payment is to make a transfer direct to the shareholder's bank account (make sure the banking information is treated with confidence and in accordance with GDPR), send a cheque or make a cash payment.

It can also be made via a voucher that can be used within the business (which lowers to cash cost to the society whilst maintaining its cash value to the member), and finally, it can also be paid as new share capital, so no cash leaves the society regardless of how it is paid, whenever it is paid, it is a cost of doing business and is a tax-deductible expense in the society's profit and loss accounts. Where it is paid in new shares, there should be an equivalent increase in share capital corresponding to the amount of interest on the balance sheet, and each member being paid in new shares should have their total investments in the society increased in the members register.

Some societies offer their members the choice to choose of these options ahead of making payments, and offer members a choice of donating the interest to the society which is often chosen by those with small investments and so who have a small amount of interest.

Notify Members of their responsibility to advise HMRC

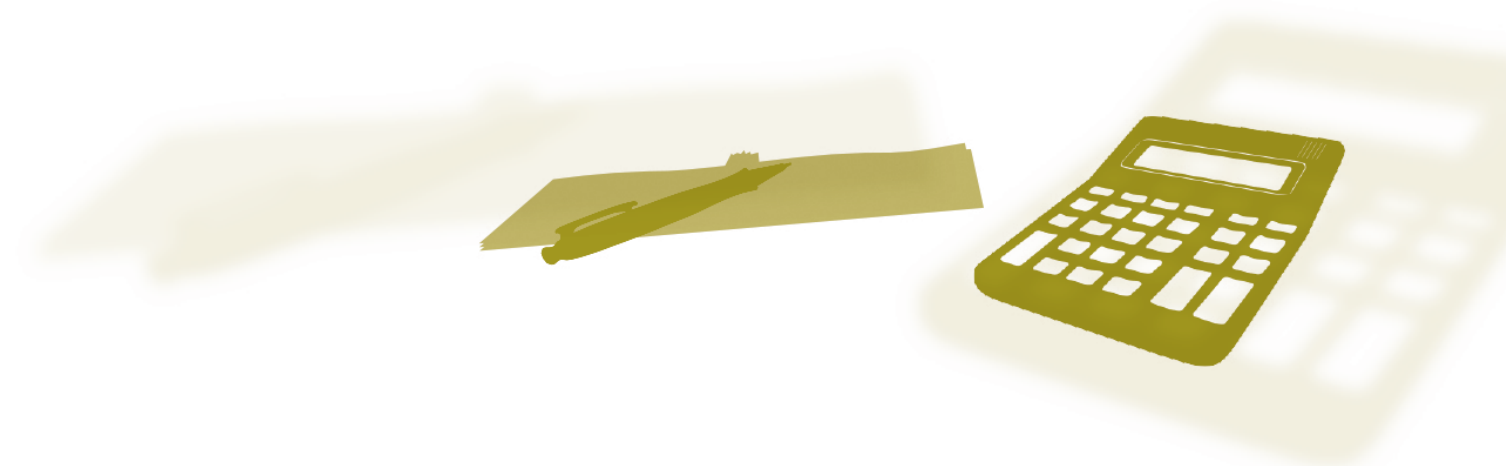
For members based in the UK, interest is paid 'gross', i.e. without any deduction for income tax, unlike the situation with bank or building society interest for which tax is deducted at the basic rate of taxation. It is important that the society makes clear to its members that it is each member's own responsibility to advise HMRC of any interest earned on their shareholding; most members will probably have the amount covered.

For investors outside the UK, the society just declare this to HMRC and pay it annually.

NB Even if a member chooses to donate it, or has it paid in new shares, it is still deemed to have been received by them by HMRC and needs to be declared as above; the only exception is where a member makes a permanent and irrevocable decision to reduce the interest they will receive.

Keep records

As mentioned above, records should be securely kept of the interest calculations and payments and be used in the completion of the Registered Societies Return to HMRC. HMRC also require the interest to be declared in the society's profit and loss account for the year it is actually paid to members, not the year the payments relates to.



4. Managing member expectations

Without their members, community benefit societies would not exist. Their critical support in the fundraising programme, whether in the initial purchase of a pub or in subsequent fundraising activities, demands that the society treats them with the fullest respect, even if sometimes they can cause a degree of discomfort to the society's management.

So, what should a management committee be doing to keep members engaged and involved?

To help committee act in a transparent and accountable way, they should consider the following six points:

1. Information

It is important to let members know what is happening with their society. Regular newsletter by email to members (blind-copied, of course!) with photos and reviews of past events and a list of future activities is probably the most effective way of communication. Facebook pages, especially when participation from readers is encouraged, will reach both shareholders and customers alike. Perhaps regular but informal members' meetings can be called for the committee to give an update on performance and the members to ask questions and make suggestions.

Inadequate information flow and lack of dialogue are major causes of problems in all walks of life but they are things which you can control.

You should also bear in mind that there may well be some members who do not have access to the internet; **do not forget these members**. You should have a system in place of ensuring they have hard copies of all important news from the society, for example the details of Annual General Meetings (see below). This should be done by hand delivery or by post.

2. Transparency

Subject to any boundaries set by confidentiality issues (eg employment contracts), the committee should ensure that as much information as possible is shared with members. Clearly, neither personal data nor truly commercially-sensitive data can be distributed widely (NB commercial sensitive is not the same as commercial information that the committee are sensitive about!) but decisions of the committee and the basis on which they have been made should be available to members. In some situations, it may well be worth the committee inviting some members to be involved in certain activities. For example, interviewing potential managers and/or tenants is a task in which shareholders from outside the committee may have a valuable role to play.



3. Access

Many members like to have easy access to the committee, so ensure that the names of the committee members are available on a website and details of how to communicate with them by email or phone. And, although it is simple and low- tech, don't forget how effective a suggestion box can be.

4. Giving a voice to members

The AGM is the key event during the year, at which members are given a review of the previous 12 months and an estimate of what the Committee think the future holds. Members have the opportunity to vote on proposals put forward by the committee, including agreeing the level of interest to be applied on shares, accepting financial statements and approving the appointment of the society's auditors if it needs to appoint them. The AGM is also when the management committee positions will be voted for.

At the AGM, members should also be given time to ask questions of the committee.

Custodian of members' assets

Members rightly expect that their representatives on the management committee will exercise prudent control of the society's assets. The committee must bear in mind whenever business decisions are being made that they are custodians of other people's assets and must take appropriate care.

But, as useful as the AGM is, because it only takes place once a year, the committee can usefully provide other opportunities for member engagement. That might be through other formal members meetings held throughout the year, through to more informal events where you make a point of seeking out feedback whilst piggybacking other events at the pub, through to even more informal surveys and questionnaires.

5. Conduct and behaviour

It is normal for societies to require the members of the management committee to sign up to a code of conduct governing their behaviour while they are in office. A good example of a code of conduct is appended to the Plunkett UK model rules.



5. Managing the AGM

The Annual General Meeting (AGM) of the society is the key event of the year.

It is a requirement of the society's rules that the AGM is held, usually within a certain number of months of the financial year-end. The rules also require specific items that must be on the agenda.

It is also the occasion when the members are able to exercise their rights as owners of the society, not least through the elections of officers to serve on the society's management committee. The recruitment of new committee members should be a key task of any management committee to ensure succession as existing members step down. Especially after the initial purchase of the pub is completed, you will find that running the business involves a new set of skills and the founding members may begin to experience 'volunteer fatigue'. Encouraging shareholders to put their names forward to join the committee will address these.

As the AGM is so important, it is wise to plan well in advance for the meeting and to advise members of the date as soon as it has been agreed.

The formal requirements are for the AGM to be advised to members well ahead of time – usually at least 14 'clear days' (which means 14 days, plus a day either side for dispatch of notices and receipt of them). It's usual to circulate the meeting notice and agenda (plus any papers, such as the society's accounts) directly to members, and email makes this very cheap to do – however, you do need to have received permission from a member before you can circulate information to them this way otherwise they will have to receive documents by post.

Other ways could be posting a notice together with the agenda at the registered office of the society and at other appropriate locations, such as village noticeboards and in local shops. An example of a typical agenda with supporting information is shown in this section.

The AGM is the main opportunity (and usually the only formal one) for members to ask questions about the pub their money has bought, so don't skimp on preparation time and be prepared for all sorts of questions, ranging from detailed questions on the finances to the colour of the carpet in the saloon bar and everything in-between.

Leave plenty of time for questions and if you do not have the answers to hand, undertake to get back to the questioner with a response as soon as possible.

The meeting can only vote on resolutions that have appeared on the agenda and whilst indicative votes can be made on other matters, there are not binding on the society.

If you let members know well ahead of the notice being circulated that the meeting is coming, and that they can submit formal resolutions to be considered, you'll get advance warning of what's occupying minds and can discuss with members whether they want to have a general discussion to see what the wider viewpoint is, or whether there is a specific resolution they want a vote to be held on. Whilst there is a provision in most rules for members to requisition a meeting to discuss issues they are concerned about, the barriers to doing this are very high and so you can solicit input at a lower threshold than required for requisitioning a meeting. It's much better to seek input about issues of concern than try to ignore it or keep it away from the formal agenda; ultimately, members who own the society should have equal access to the formation of the agenda as the committee (who don't own the society!)

Many societies provide refreshments and drinks for members that attend the AGM. This is both an encouragement to attend and sets an inclusive mood for the meeting.

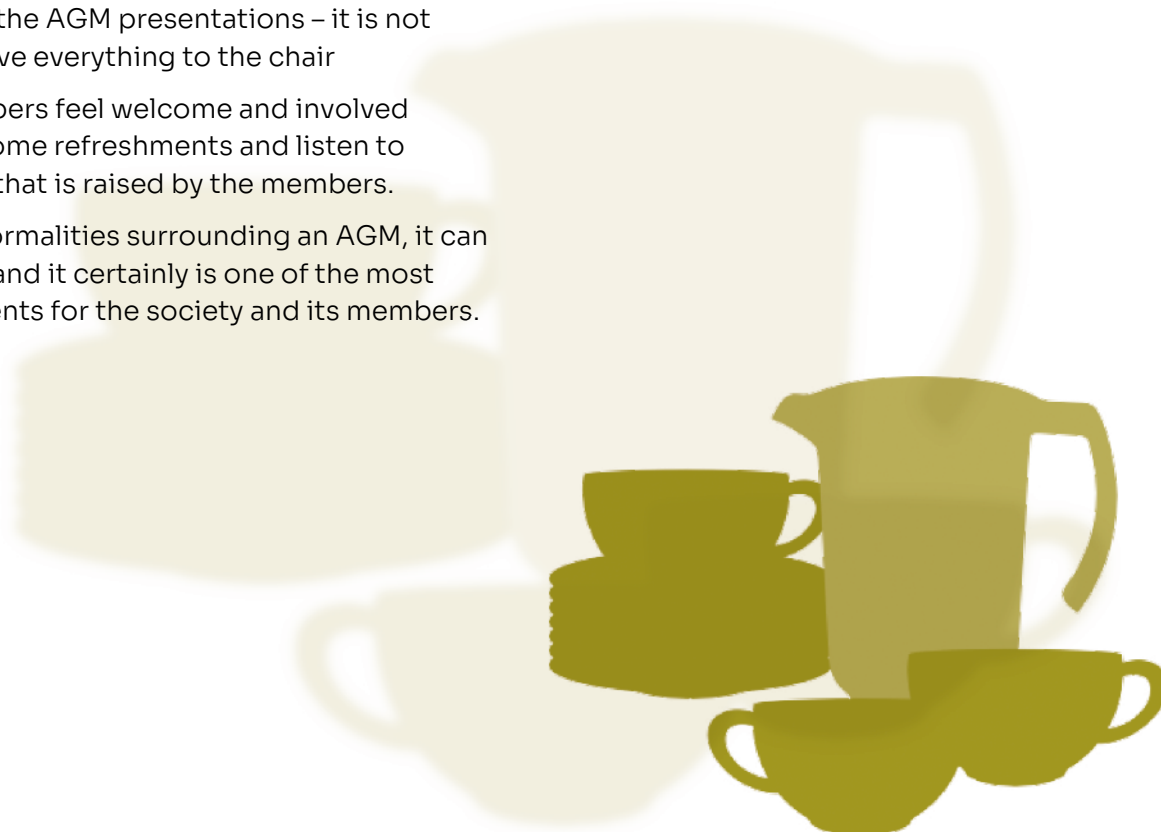
Voting at the AGM is usually by a show of hands but it may be preferable for elections to the committee to be done by ballot papers, as in the example documents below.

So, the key things for an efficient and well-run AGM are:

- communicate the date as early as possible ('Reserve the date' emails)
- prepare the information needed, notably ensure the financial statements are ready and agreed by the management committee
- distribute the agenda and notes no less than 14 days before the AGM
- receive nominations for election to the committee (these can be self-nominations)
- if required, organise an email ballot for the election
- if you have advance notice of specific questions, make sure you have the answers
- it is good if as many of the committee are involved in the AGM presentations – it is not good to leave everything to the chair
- make members feel welcome and involved – provide some refreshments and listen to everything that is raised by the members.

Despite the formalities surrounding an AGM, it can be enjoyable and it certainly is one of the most important events for the society and its members.

NB – as a society, you're required to get an independent audit of the accounts each year, but pretty much every community pub will be able to pass a resolution at the AGM which relieves them of this usually expensive process. The resolution only applies for the accounts to be presented for the financial year the AGM takes place in and which will be presented to the next AGM the following year (and not for the accounts the AGM is actually receiving) and needs to be approved by a vote in which 80% of those voting approve it, and where those voting against it are no greater than 10% of the total membership.



Example AGM notice and background notes

Notice to Shareholders

You are hereby invited to attend the second Annual General Meeting of Your Community Pub Limited.

Date: Saturday 28th September 2024

Time: 12:00 midday

Venue: The Residents' Retreat, High Street, Anyville

Agenda

1. Welcome
2. Apologies
3. Chairman's Report
4. Treasurer's Report
 - a) Adoption of Accounts for period ending 31st October 2018;
 - b) Proposal to dispense with need for full audited accounts for the current financial year ending 31st March 2024, as per section 84 of the 2014 Co-operative and Community Benefit Societies Act;
 - c) Proposal to accrue interest on share capital at the rate of 2.5% per annum for the current financial year 2023-24, to be paid in financial year 24-25
5. Membership and Membership Strategy
6. Resolution on food banks in the pub, submitted by J Smith and 5 other members

"In the light of the continued cost of living difficulties, and in light of the pub's mission to provide benefit to the community of Anyville and lack of any such facilities at present in Anyville, we instruct the committee to implement a food bank service and to encourage members to participate in donating and using food on an ongoing basis."
7. Questions.
8. Elections of Members to the Management Committee
9. Any Other Business
10. Close

Jo Bloggs
Society Secretary
9th September 2024

Example AGM notice and background notes continued

Background notes for Annual Members' Meeting

This note is to advise you of the procedures that will be adopted for the Meeting and to give background to some of the Agenda items.

The invitation is primarily for members of Anyville Community Pub Limited. Non-members will be welcome to attend but only Members may speak and vote on any issue.

Agenda item 4 – Treasurer's Report

Item b. Given our legal structure, we have the option of disapplying the requirement to undertake a full professional audit, as permitted by section 84 of the Co-operative and Community Benefit Societies Act 2014.

Subject to a vote of the Membership, the Committee proposes that we produce unaudited accounts for submission to the FCA.

Item c. The Committee proposes that Shareholders agree that for the current year interest will be paid on each Member's

shareholding at the rate of 3% per annum, payable gross for the year ending 31st March 2024. The Committee believes that this rate is competitive and fair in the current environment.

Agenda item 7 – Questions

The outgoing Committee will respond to questions at the Annual Meeting. It would be helpful if questions could be submitted in advance, by email, so that we can try to gather any relevant information and also to avoid duplicate or overlapping questions. We will of course do our best to answer questions on the day.

Agenda item 8 – Election of new members to the Management Committee

Currently the Management Committee comprises 6 members, as follows: Hannah Hairdresser (elected 2021 for 3 years)

Frank Farmer (elected 2021 for 3 years) Florence Florist (elected 2022 for 3 years) Charlotte Cook (elected 2022 for 3 years) Ben Bus-Driver (elected 2023 for 3 years) Sonny Solicitor (co-opted August 2023)

In accordance with the rules of the Society, Hannah Hairdresser and Frank Farmer will step down at the Annual Meeting and are eligible to stand for re-election.

The Management Committee can have a minimum of 4 and a maximum of 9 members. The Management Committee believe that the workload is such that they need to increase the numbers serving. As a result, there are up to 4 places to be filled on the Management Committee.

If any Member wishes to be considered for election to the Management Committee, please advise the Secretary by email (secretary@yourcommunitypub.co.uk) or by post (Society Secretary, Anyville Community Pub Limited, The Residents' Retreat, High Street, Anyville AB12 3CD) no later than 17:00 on September 8th 2024. Candidates should provide a description of up to 200 words to be next to their name on the ballot paper, if they wish. If the number of candidates exceeds 4, an election will be held.

If an election is required, notices for the AGM will be circulated with a ballot paper and there will be an opportunity to hear from candidates at the AGM and ask questions of them before voting. Members can also vote before the AGM.

The results of any election will be announced at the Annual Meeting on 28th September 2024. All Committee Members will be required to comply with the terms of the Management Committee Code of Conduct. A copy can be provided if required.



6. Data protection requirements

As a community organisation with a large number of members, any CBS will automatically be in possession of personal information in respect of its membership base. This will include details of physical and email addresses, the number of shares purchased (and withdrawn) and payment of interest details including bank information.

Additionally, the society may hold personal data of employees (salaries, NI numbers, bank details, past employment details etc.), suppliers and customers (addresses, phone numbers etc.).

Although most CBSs are small, community-focused enterprises, data protection laws still apply and adherence to them is not discretionary.

New data protection legislation was introduced on 25 May 2018 – the General Data Protection Regulation ('GDPR'), which supersedes previous rules. This new Regulation broadens the scope of personal privacy laws to protect individuals' data rights, adds accountability for the holding of any personal data, and gives individuals greater control over who has their data and how it will be used.

GDPR applies to 'personal data' which means any information relating to any individual, such as name, contact details, bank account details etc. If a person can be identified by the data, then it is classed as 'personal'.

The GDPR applies to ALL organisations and businesses that control and/or process personal data. Those in breach of the Regulations leave themselves open to substantial financial penalties.

Taking a number of straightforward actions will enable societies to manage their responsibilities to meet the requirements of the legislation.

Tools are available to assist and relevant information can be found via these links. The Information Commissioner's Office ('ICO') has produced the following detailed guide:

<https://ico.org.uk/for-organisations/guide-to-the-general-data-protection-regulation-gdpr/>

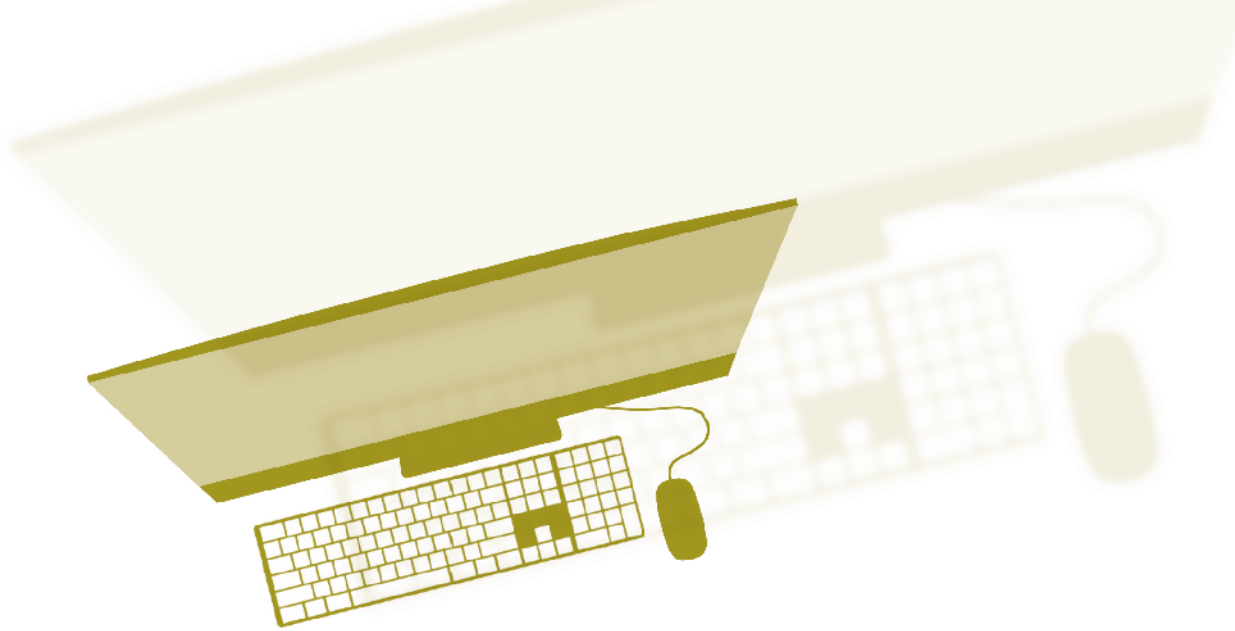
and Co-operatives UK has also produced guides for those in the sector:

<https://www.uk.coop/gdpr>

<https://www.uk.coop/sites/default/files/2020-10/gdpr-for-co-ops-resource.pdf>

<https://www.uk.coop/sites/default/files/2020-10/gdpr-training-preparation.pdf>

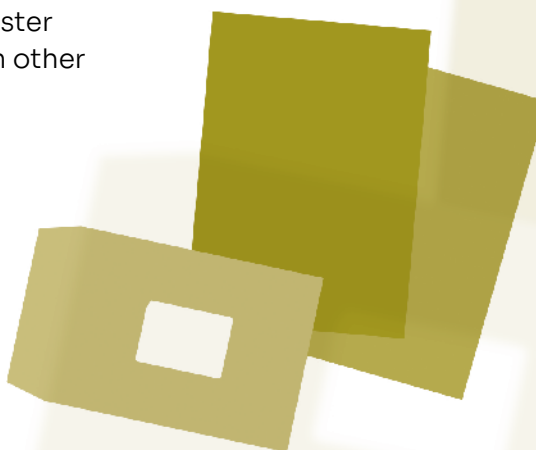
As noted earlier, whilst GDPR means that people who have no right to information without a user's permission can't access that information, members do have a right to inspect the members' register. The committee has to take good care of the register and uphold GDPR principles, that doesn't trump members' rights to access the register under the 2014 Act.



Data protection and GDPR are complex issues but the ICO has stated that it is looking to support rather than punish.

A few simple steps will help all societies manage their GDPR responsibilities. These include:

- Establish a Data Protection Policy which can be made available if requested. Many enterprises will have a link to their policy on their website.
- Advise all those affected (shareholders, employees, customers, suppliers) that data about them is kept and that it is available for inspection by them.
- The application form attached to the share offer documents should confirm that information provided will be handled in line with the society's Data Protection Policy but that policy doesn't prevent members from inspecting the register and all the information within it (apart from other people's shareholdings).
- Keep data on a remote, secure server with access restricted to a small number of people on the management committee.
- Use an institutional email address for sending communications (e.g. xyzcommunity@gmail.com or jane@xyzcommunity.co.uk) rather than a personal address.
- Ensure all email communications to groups such as shareholders are sent as 'blind' copies ('bcc'). Some societies still show all recipients email addresses.



7. Taxation and dealing with HMRC

A community-owned pub needs to be aware of the numerous contact points it may have with HMRC – and these are not solely to do with tax.

NB It is important to bear in mind that any questions related to a Society's tax affairs should be directed to an appropriately qualified individual or firm. This summary is intended as a broad guide to the relationships between a society and HMRC.

The main areas of the relationship are (where applicable) corporation tax, VAT, PAYE, AWRS and a Registered Society Return.

Corporation tax

Societies are subject to corporation tax on broadly similar terms to companies. Detailed guidance on how company taxation relates to societies is available in the HMRC Company Taxation Manual CTM40500.

See also <https://communityshares.org.uk/resources/handbook/introduction-5>

Societies should remember:

- when calculating taxable income, share capital and donations received are not classed as trading income.
- When calculating deductible costs, they can use the money they would have spent on volunteer time, had those people been paid staff not volunteers. This only applies to operational activity delivering the society's trading activity, and doesn't include the time spent on society business by committee members (this is known as the 'Peterhead Principle' and you can read more about it here: <https://www.gov.uk/hmrc-internal-manuals/business-income-manual/bim24475>)

VAT

Any trading organisation, including societies, which has or expects to have an annual turnover of £85,000 (correct to 31/03/24), must register for VAT, but you can also register voluntarily if your turnover is less than this.

From your effective date of VAT registration, you must:

- charge the right amount of VAT
- pay any VAT due to HMRC
- submit VAT Returns
- keep VAT records and a VAT account

Newly established societies may also be able to reclaim the VAT paid on certain purchases made before registration. See: <https://www.gov.uk/vat-registration>

PAYE

If the society employs staff it will be liable for making PAYE payments to HMRC.

You need to register as an employer with HMRC when you start employing staff.

You must register before the first payday. It usually takes up to 5 days to get your employer PAYE reference number. You cannot register more than 2 months before you start paying people.

<https://www.gov.uk/payee-for-employers>

As part of the employment process it is important to remember that employees meeting certain criteria will need to be enrolled in a pension scheme. The criteria are being aged between 22 and retirement age and earning £10,000 or more a year.

<https://www.thepensionsregulator.gov.uk/en/employers/new-employers>

The Alcohol Wholesalers Registration Scheme (AWRS)

If you sell alcohol to another business you may need to apply for approval for the Alcohol Wholesaler Registration Scheme (AWRS). HMRC introduced the scheme to tackle alcohol fraud.

You'll face penalties if you trade without approval. In addition, from 1 April 2017 if you buy alcohol to sell from a UK wholesaler, you'll need to check that the wholesaler has been approved by HMRC and has an AWRS Unique Reference Number (URN).

For a community-owned pub there are therefore two main requirements:

1. to check that your suppliers have a URN – <https://www.gov.uk/check-alcohol-wholesaler-registration>
2. if you sell alcohol to a customer who is in turn selling it to his customers then you will need to be AWRS registered. For example, a tenanted pub where the society has an agreement to sell beer to the tenant, registration will be required. <https://www.gov.uk/guidance/the-alcohol-wholesaler-registration-scheme-awrs>

Registered Society Return

Section 887 of the Income Tax Act 2007 requires registered societies to submit details to HMRC of the following types of payment where tax has not been deducted:

- a payment of interest made by a registered society in respect of any mortgage, loan, loan stock or deposit
- any interest, dividend, bonus or other sum payable to a shareholder of a registered society by reference to the amount of the shareholder's holding in the share capital of the society

A society is legally obliged to send HMRC the information within 3 months following the end of the society's accounting period. Usually HMRC will not require details of payments of less than £250 for the year in question.

If no payments are made or there are none over £250, a NIL return should be made.

<https://www.gov.uk/government/publications/notes-for-submitting-a-return-under-section-887-of-the-income-tax-act-2007-on-a-spreadsheet-industrial-and-provident-societies-5fa>



8. Summary

All of the sections in this Guide cover details that are important for a society to manage effectively. Governance may seem like a distracting chore, however necessary.

It is however something which if well done will underpin the society and provide the foundations for a well-run enterprise.

Much of what you need to do is pretty straightforward but should you need advice or support on any topic, help will be available through:

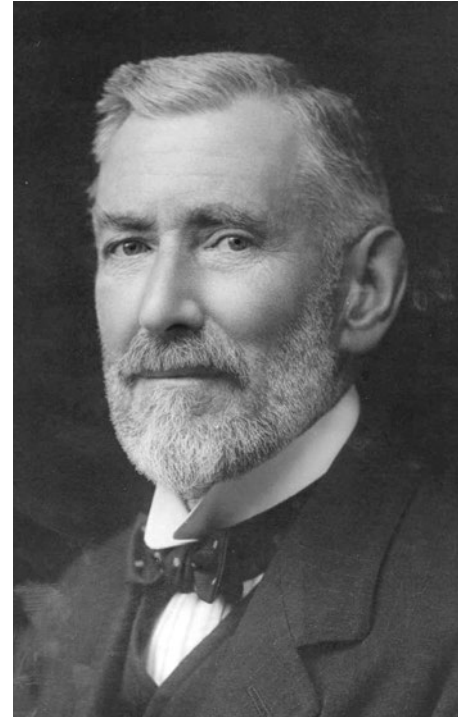
- Your model rules. This provide an extensive guide to help you run the society.
- The Community Pubs Network Facebook page is an excellent forum for asking questions about community pubs. <https://www.facebook.com/groups/communitypubsnetwork/>
- Your common sense – not to be underrated! A collegiate and common-sense approach to any questions that arise is likely to give you the right answer.



About Plunkett

Plunkett UK is a national charity which supports people in rural areas to set up and run a wide range of businesses in community ownership. We do this to achieve our UK-wide vision for resilient, thriving and inclusive rural communities. Community-owned businesses are owned and controlled by community members who have an equal and democratic say in how the business is run.

Plunkett has promoted the community ownership model for over 100 years because of its track record for delivering better businesses for people, communities, the economy, and the environment. Today, we represent 800 trading community-owned businesses and a further 500 in the process of setting up. Plunkett raises awareness of the community business model, provides practical community business support, and represents our members through networking, research and advocating with government, think tanks and funders.



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Plunkett UK is the operational name of Plunkett Foundation a registered charity, numbers CC 313743 (England and Wales) and SC 045932 (Scotland). It is a company limited by guarantee, registered number 00213235 (England and Wales).

