



**Plunkett**  
Foundation

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IN-DEPTH GUIDE

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# ENSURING YOUR COMMUNITY PUB IS COMPLIANT

**A comprehensive guide to policy and  
legislation relevant to community pubs**



# CONTENTS

<b>1</b>	<b>Complying with Co-operative and Community Benefit Society legislation</b>	<b>3</b>
<b>2</b>	<b>How to run an AGM</b>	<b>5</b>
<b>3</b>	<b>How to run a management committee or board</b>	<b>11</b>
<b>4</b>	<b>Audit requirements</b>	<b>15</b>
<b>5</b>	<b>Calling a special general meeting</b>	<b>16</b>
<b>6</b>	<b>Dealing with conflict and disputes</b>	<b>17</b>
<b>7</b>	<b>Register of members and officers</b>	<b>20</b>
<b>8</b>	<b>Community shares</b>	<b>21</b>
<b>9</b>	<b>Existing guidance and links</b>	<b>22</b>

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

It 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](mailto:info@plunkett.co.uk) or call us on **01993 810730** or visit our website at [www.plunkett.co.uk](http://www.plunkett.co.uk).

Plunkett would like to thank Power to Change for its support in helping rural communities access the resources and advice to help set up community businesses.

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# 1 COMPLYING WITH CO-OPERATIVE AND COMMUNITY BENEFIT SOCIETY LEGISLATION



Community pubs commonly use the Society legal form so their members can jointly own and democratically control the enterprise, and in order to raise capital through community shares. Societies operate in accordance with the Co-operative and Community Benefit Societies Act 2014 (CCBS Act) and guidance from the Financial Conduct Authority Mutuals Section. The governing document for a society is referred to as its 'Rules'. In general, a society's rules should address the requirements of the CCBS Act. Directors (also known as the management committee) and members of societies should be actively encouraged to familiarise themselves with their registered rules. These act as a guide to how you should conduct the business of your society.

## Primacy of Rules

The members in a general meeting, or the directors in a board meeting, are able to pass secondary rules, regulations or policies which the society and its members have to abide by. Such secondary rules cannot contravene the registered rules of the society. A secondary rule made by members in a general meeting cannot usually be changed by the directors, as this requires the members' approval. Decisions and policies made by the directors cannot contravene any secondary rules or the registered rules.

## Purpose and Objects

Co-operative and Community Benefit Societies are owned and controlled by their members on the basis of one member one vote, regardless of the number of shares held by a member in the society. This is different to the one share one vote basis of Companies Limited by Share and PLCs. The directors should bear in mind that understanding and responding to members is important for the community pub business model and should be central to the way you operate, not an afterthought. While a Co-operative Society exists primarily for member benefit, a Community Benefit Society does not exist solely for the benefit of the members, but for the wider community. The membership and the board need to bear this purpose in mind when planning activities and making decisions. You can check the purpose for which your community pub was established by looking at the 'Objects' in your registered rules. Society directors have a duty to pursue the Objects of the society.

## Right to a copy of the Rules

The CCBS Act sets out that any person has a right to a copy of your rules on demand, subject to any fee that the society may require – provided that the fee does not exceed £5 (as at October 2018). If the person requesting the rules is a member, they cannot be charged the fee unless they were previously given a copy of the rules. One simple way to address this, which many societies have adopted, is to make the rules available via your website. Societies who have carried out a community share offer will have already published their rules as part of the offer.

## Registered name

The CCBS Act requires that societies must ensure that their registered name appears in a conspicuous position and in legible characters on the outside of their registered office, and every other place in which its business is carried on. Your registered name is the full name including 'limited' as appears in your registered rules and on the letter from the FCA confirming your registration.

## Display balance sheet

It is a requirement of the CCBS Act that your society must keep a copy of your last balance sheet displayed in a conspicuous place at its registered office, together with the report of the auditors if appointed.





## 2 HOW TO RUN AN AGM

The Annual General Meeting (AGM) – sometimes referred to as an Annual Members' Meeting – is the mechanism by which the members of a society democratically elect the board of directors (also known as management committee or simply referred to as Directors). The members receive the accounts for the previous year and a report on the financial performance of the society at the AGM and it is also the point at which the members decide upon the application of profits.

The members' decision over the appointment of an auditor, if required, or choice to forego the need for an audit, if the relevant criteria are met, is also made at the AGM.

The AGM of a society registered using the Plunkett Foundation Model Rules will also receive a report from the directors on the state of the society's membership and on the membership strategy.

An AGM is a great opportunity for reflection on the purpose, social impact and other benefits the society has generated, and an opportunity for directors to consult the members, informing them of their future plans.

These functions make the AGM an important moment in the life of a society and central to member democratic control.



## Before the AGM

Whilst the board of directors make the decision over date, time and place of the AGM, the Secretary is responsible for ensuring it is called and arranging the agenda. They do not necessarily have to do all the work themselves but they are responsible for ensuring it is done correctly.

When planning your AGM, consider your location carefully. One advantage community pubs have is that their business premises are often perfect for holding a meeting. It is also a great way to boost sales over the bar! However, if you only have a small pub, and hundreds of members, you may need to consider using a village hall or similar building.

Pick an appropriate date and time – you can't please all the people all the time, but it is worth taking into account the need for members to get home from work and eat a meal if the meeting is to be held in the evening. It is worth bearing in mind any regular activities that members are involved in. You wouldn't want to clash with a major darts or skittles competition in which your pub is participating!

Timing is crucial. Your AGM must be held soon enough after the end of your financial year to allow the accounts and annual return to be provided to the Mutuals Section at the Financial Conduct Authority (FCA). These documents have to be received by the FCA within six months of your year-end and the FCA does not send out reminders! However, you also need to allow enough time for your society's annual accounts and annual report to be prepared, and if required, undergo an audit or accountant's report.

It is a good idea to make the planned date of the AGM known in advance of formal notification to members so people can put the date in their diary and plan ahead. This enables you to ask for agenda items, providing the Secretary's details and guidance on how members may submit resolutions. The Secretary can filter out inappropriate agenda items, but it is important to respond to people so they understand why their issue has not been included on the agenda. If a resolution has been proposed it should be included on the agenda that is issued, even if it is contrary to another resolution to be discussed.

Make sure you provide proper notice. Your rules will set out the formal notice period that has to be provided for an AGM and how members should be notified of the agenda items. Even if your rules do not require members to be contacted directly, it is still recommended that you inform them by letter or email. This helps to encourage member participation.

Your agenda should set out the place, date and time of the meeting and the business that will be discussed. This is set out in your rules but will usually include:

- The receipt of the accounts, balance sheet and reports of the board and auditor (if any)
- The appointment of an auditor, if required, or decision to disapply audit
- The election of directors or the results of the election if held previously by ballot
- A report from the directors on the state of the membership and the membership strategy (some societies)
- The application of profits
- Any other business included in the notice convening the meeting such as Members' Resolutions or discussion items



## Application of profits

It is common practice for a society to retain the majority of profits, applying them to a general reserve to advance the society's purpose. However, there are additional choices available. Payment of a dividend to members in relation to their transactions with the society (profit share) is only allowed in Co-operative Societies. Both Community Benefit Societies and Co-operative Societies can also choose to make payments for social or community purposes in line with their rules. Members should bear in mind that payment of interest and withdrawals will be reliant on having sufficient cash reserves. You should always check your registered rules as to how your society can apply its profits.

## Proxies, postal and electronic voting

If your rules allow for proxies to attend your AGM in place of a member, make clear the conditions which have to be met in order for a member to use this option. It will usually involve an appointment in writing to the registered office prior to the meeting.

If the rules allow postal voting or participation by electronic means and a decision has been taken to offer these facilities, ensure you provide clear details of how members can avail themselves of these opportunities.

## Prepare papers

If a major decision is required, then members should be provided with access to any relevant papers eg a download link.

It is a good idea to ask people to indicate if they are likely to attend so you can prepare the room and make sure you have sufficient copies of relevant paperwork. Many societies provide access to documents in advance of the meeting electronically, advising members to print the papers themselves, but it is still worth having a few spare copies. A member has the right to attend the AGM even if they did not let you know that they planned to attend.

## Encouraging attendance

The AGM is an important opportunity for member engagement, and a failure to attract enough members to constitute a quorum (see below) can result in having to arrange a follow-up meeting. It is worth investing some effort into making the AGM attractive to people who may normally avoid formal meetings. Some methods that societies have used include:

- Making it fun so members who didn't attend feel like they missed out and will come next time
- Making it a celebration
- Holding a 'social' after the formal business
- Providing food or refreshments – especially handy if people may be coming straight from work
- Guest speakers or entertainment
- Presentations from user groups or beneficiaries – making the business of the society tangible



## Election of directors

Ensure that you understand the process for election of directors and any actions you need to take prior to the AGM. How do people nominate themselves? Is there a postal/electronic ballot or a vote at the meeting? Do you need to circulate information about prospective directors to the members so they can make an informed choice? See detailed guidance later in this guide.

Before the AGM, it is worth considering actions that may encourage people to put themselves forward for election. Some members may not be confident about standing for election but have valid skills, experience or other contributions to make. It is in the best interests of your society to encourage people to stand for election to widen participation and diversity. Making the role seem less onerous or 'out of reach' for ordinary members can be achieved by demystifying the director role ("Anyone can be a director"), eg by:

- Creating easy to understand role descriptions in simple language
- Making clear the time commitment required
- Making clear the skills that would improve the board ("Oh, I can do that")
- Providing training to members and directors about director responsibilities and meeting effectiveness

If membership for under-18s is allowed by your society, bear in mind that the CCBS Act makes it clear that a person under the age of 16 may not be a member of a registered society's committee or a trustee, manager or treasurer of a registered society.

## During the AGM

### Layout

Pay attention to the layout of the room. It is important that everyone can be heard, and can hear what is being said. If necessary, consider the use of a microphone.

### Quorum

Before any business can be transacted at your AGM – or any other members' meeting – a minimum number of members must be present. This is known as the quorum. The quorum will be set out in your rules and will usually be expressed as a percentage and a number of members, with instructions as to whether to use the higher or lower of those two figures. The purpose of a quorum is to ensure that a meeting has legitimacy before any decisions are taken. Your rules will include provisions for calling a follow-up meeting in the event that your AGM is 'inquorate' ie does not meet the quorum threshold.

### Example from Plunkett Foundation Model Rules

"Before a Members' Meeting can do business, a minimum number of Members (a quorum) must be present. Except where these Rules say otherwise a quorum is present if five Members or 10% of the Members entitled to vote at the meeting (whichever is greater) are present."

### Acceptable behaviour

One way to avoid unnecessary disruptions, and to ensure that the meeting can focus on its business, is to set out some ground rules for acceptable behaviour at the start, such as: raising hand to speak, speaking through the Chair, no shouting, no swearing, respect for alternative viewpoints.



## Meeting purpose

Be really clear about the purpose of the meeting. While it is an opportunity for members to provide input, the AGM is focused on strategic issues and the overall performance of the society. It is not the appropriate time for detailed discussions about operational matters. The agenda helps focus people's attention on the key issues.

## Chairing the meeting

The Chair's role is to ensure the meeting functions well and guide the members through the agenda. A society is a democratic organisation where every member not only has an equal vote, but an equal right to speak at a members' meeting.



### ! TOP TIPS

#### Chairing the meeting:

- It is important to recap and ensure that everyone is clear before any votes are taken on decisions
- It is important to clarify the outcome of any vote so that no members leave the meeting with a misunderstanding of what was decided
- When a decision has been taken, ensure that the action is clear: who will do what, when will it be completed or reported back?
- So the Chair can help everyone to be heard, and not just the loudest voice, you should make it clear how members should notify the Chair when they want to speak. In many societies this is achieved by simply raising your hand
- Silence is not the same as consent, so it is important to check if anyone objects and hear any objections before you move discussions forward
- Although it is important that any dissenting voices are heard, the Chair also has to ensure that the meeting does not stray off topic, and completes the business on the agenda within the time allotted. Sometimes it is necessary for the Chair to give speakers a time limit
- Rather than putting all the responsibility on the Chair, it is worth considering training for members so they can understand how their behaviour can contribute to effective meetings



## Counting votes

Most decisions made in a general meeting will be ordinary resolutions which require a 'simple majority' ie more than 50% of those voting. Some decisions, such as changes to Rules, may require a greater majority such as not less than 75% of votes cast at a general meeting, and may be called an Extraordinary Resolution or Special Resolution. There are different model rules available and every society has the facility to customise its rules so you should always check your rules to clarify the requirements for any given decision at a members' meeting.

Votes at a members' meeting will usually be decided by a show of hands and counted by the Chair. This will include the votes of people acting as appointed proxies. Some societies issue a 'voting paper' when members arrive to ensure that only votes of members are counted. This is especially important if you have corporate members, joint memberships or family memberships where more than one person associated with the membership may be

present. If you have arranged for a postal vote or electronic participation (eg via telephone, video conferencing) you will need to include those members' votes before announcing the outcome of a decision.

In some cases the members may call for a paper ballot at the meeting. Your rules will include provisions for undertaking a paper ballot.

## Casting vote

Some societies have opted to provide the Chair of the meeting with a second or casting vote, whereas others believe this contravenes the 'one member one vote' basis of democratic control. You should check your rules. If they are silent on the matter then no casting vote exists and a tie means the motion has not been passed.

## After the AGM

### Accounts

Ensure the accounts are signed if they were not signed by directors prior to presentation to the members at the AGM. Complete and submit your annual return to the FCA with a signed copy of the accounts. You will also need to submit your accounts with your corporation tax return. If you use an accountant to prepare your accounts they will often submit your corporation tax return on your behalf.

### Minutes

Ensure that the minutes of the AGM are available to members as soon as is practicable. This allows people to query them while their memories are fresh, rather than one year after the fact.

Consider drawing attention to any important issues that may be 'buried' in the minutes such as new board members, any members' resolutions that were passed, decisions on profits or interest etc. Some societies have a newsletter or post updates on the registered office/pub noticeboard.

## 3 HOW TO RUN A MANAGEMENT COMMITTEE OR BOARD

As described previously, you can choose to call your management body the Management Committee, the Board of Directors, or just the Directors, but for convenience here we shall stick to calling it 'the board'.

### Electing the board

When making the arrangements to elect people to your board, ensure you know how many director positions are available – consult your rules and your register of officers. It is fairly typical in community pubs for one third or one half of the board to retire each year, which ensures continuity but also allows for 'fresh blood'.

If you have a multi-stakeholder board pay particular attention to your rules regarding the proportion of different constituencies of member, or representatives of named bodies on your board.

Ensure that you comply with your rules and any procedures your society or board has approved regarding how member elections should be carried out.

### Voting process

Do your society's members elect people to fill vacancies on the board via postal or electronic ballot and announce them at the AGM? Or do people vote at the AGM?

### Nominations

Do your rules, policies or procedures require people to be nominated prior to the meeting at which an election takes place, or before any ballot? If so, how much notice is required? Can members nominate themselves or do they require nomination by other members? If the election takes place at the AGM, can candidates be nominated at the meeting?

### Candidate information

If your society circulates information about candidates prior to the election, have you provided guidance on when candidates must submit their biography or personal statement? Have you provided an outline of any skills and experience



gaps that the society would like to address? Showing a fit between the needs of the society and the skills or experience candidates possess may help members decide how to cast their votes.

## Skills mix

Depending on how actively involved they are in running the day-to-day business side of the pub, societies will need to ensure some level of managerial competence in addition to representation of members on the board. It is important for the board to have a good mix of skills and to address any weaknesses.

Your society has a choice in how to address any skills or experience gaps: you can elect people with the required skills; co-opt independent directors with specific skills or experience onto the board (if your rules allow); obtain professional advice and support when it is required; or provide training for your board.

## Director training

Member Training and Education is one of the Co-operative Principles for a reason: it provides an opportunity to increase the skill base and understanding of the business and its co-operative nature among your membership. It is good practice for community pubs to allocate and spend a budget to provide ongoing training for members and directors in relevant skills. This may include a focus on meeting effectiveness and other 'co-operative skills' or knowledge and skills related to specific management tasks.

Groups at the start-up stage may require a different skill-set more heavily focused on business planning, raising funds, planning issues, research and community engagement, whereas the established pub may require a focus on financial management, HR issues, events promotion and maintenance scheduling.

## Co-option

Your society may also have the facility for the board to co-opt members to fill casual vacancies, for instance, if someone resigns before the AGM or you do not fill all the available spaces at the AGM. Some societies also have the facility to co-opt independent non-member directors for their skills and experience. You should check your rules to find out if you have this facility and any restrictions which apply, eg it is usual for any co-opted members to only hold office until the next AGM.

## Organising the board

Once confirmed at the AGM, it is normal practice for the board to elect from among themselves people to key roles such as Chairperson and Secretary. You should consult your Rules, policies, secondary rules and business plan for guidance on any positions the board are required to fill. When making a decision on which directors should fill which roles, it is good practice to have clear role descriptions that outline key tasks and responsibilities, skills required and anticipated time commitment. You can use skills audits to help the board ensure they have the right person for the right job and best meet the needs of the society.

The Chairperson of a society does not have the same power that is wielded in the popular imagination by the chairman of a plc or a football club. Their role is to organise the board, not make individual decisions, unless this is made clear in a role description. Some societies provide the Chair with the facility to make decisions on behalf of the board in an emergency – but only subject to consultation with a minimum number of other directors.





## Effective director meetings

Although much of the same good practice applies to director meetings as to an AGM, director meetings are by their nature more flexible, likely to discuss more detail and take more frequent decisions. The people participating are also subject to legal duties placed on society directors. Your society may have adopted a code of conduct or other guidance on how director meetings should be transacted. You should familiarise yourself with this guidance, and the section of your registered rules that deals with director or management committee meetings.

Effective director meetings rely on good communication, and should have a clear agenda and clear purpose. Preparation is key. If you circulate reports beforehand and all directors read those reports, you can focus your time on good decision making rather than ascertaining the facts. In particular your directors should consider management accounts (Profit & Loss, Balance Sheet, Cashflow statement) on at least a quarterly basis.

Maximising participation ensures that you have access to more of the board's skills and experience, so consider time, location and frequency of meetings carefully.

It is becoming more common for societies to use electronic communication such as video conferencing and teleconferencing. However, you should ensure you comply with the requirements of your rules. You should also ensure that you do not exclude any directors, or dilute the nature of decision making. 'Electronic' meetings should still be called with proper notice to all directors, and have an agenda.

Effective facilitation is important during directors' meetings (see 'Chairing the meeting' guidance on p9). You should also ensure that a clear record of the meeting is kept. All decisions should be minuted and any actions should be clear about who is responsible, the budget or resources they have been allocated and any timescales with which they have to comply. You should always consider whether you are meeting your duties as directors.

## Sub-committees

The board will usually have the power to establish sub-committees of directors and members to take responsibility for key areas of the pub's management, eg a maintenance sub-committee. These committees should report to the board and be given clear delegated levels of decision making and responsibility, beyond which matters are referred back to the board.



## Directors' duties

The legal responsibilities placed on directors are explained in the Plunkett Foundation template 'Code of Conduct' and in the Co-operatives UK 'Essential Society Directors Guide'.

One important distinction to make is that the directors of a society are only able to make decisions in that capacity when they are in a properly convened directors' meeting, or if a previous meeting has delegated them specific authority to make a judgement call, eg through a specific decision, a role description, or allocation of a budget and powers to spend it. Any decisions made without authorisation of the board put the director in breach of warranty and personally liable for any resulting debts incurred.

## Openness and confidentiality

Openness is not just one of the co-operative values which underpin community pubs. It is also key to how community pubs can be successful. This is reflected in society legislation and your registered rules.

However, some information that directors deal with may need to remain confidential eg HR, disciplinary or grievance, personal issues, or commercially sensitive information. In particular this may apply when you are still negotiating with a property owner! Withholding information from the members should be the exception not the rule but directors should also maintain confidentiality unless the board has explicitly permitted information to be disclosed. It is good practice to clarify which issues discussed at a directors' meeting can be shared and with whom. Good member information is vital for informed decision making, engaging members in ownership and responsibility for the business, and should be encouraged where possible. Some societies publish a regular but brief update from the board to ensure that appropriate information is shared.



## 4 AUDIT REQUIREMENTS



Community pubs are usually Co-operative or Community Benefit Societies and as such, if the members make a decision at their AGM and meet the relevant thresholds, your society can choose not to have an audit. This option is not available to you if your society is a subsidiary of another organisation or has any subsidiary companies or societies.

The Financial Conduct Authority has recently updated the thresholds for a full or lay audit and you can check which applies for you at <https://www.fca.org.uk/publication/finalised-guidance/fg15-12.pdf>

A lay audit can be provided by a person who is not a director or employee of the society. As members of Plunkett you can use David Cadwallader and Co Ltd for all options and details of their services and costs are at <https://plunkett.co.uk/existing-members/>

## 5 CALLING A SPECIAL GENERAL MEETING



From time to time, the society may need to call a General Meeting of members in addition to the AGM. For example, there may be a proposal to:

- Change some of the rules
- Change a secondary rule passed by a previous General Meeting
- Inform the members of any major changes to the business
- Propose a new share offer
- Elect some members to a specially convened sub-committee, or
- Hold the board to account over a contentious decision

Your rules will contain a facility to call a Special General Meeting. This can be called at the request of the directors or, in line with the principle of member control, after the Secretary or board has received a request from a minimum number of members (eg 10%) as set out in the rules.



## 6 DEALING WITH CONFLICT AND DISPUTES

The directors will usually be responsible for dealing with any conflict among the membership, or disputes with the society. Sometimes it may involve directors as individuals. For managed pubs, this may include employees, which is dealt with in our separate HR guidance.

### Rules guidance

Firstly, directors should ensure that they check their registered rules, any relevant secondary rules passed by the members in a general meeting, any code of conduct approved by the directors and any grievance or complaints procedure agreed by the directors. Ensure that you closely follow rules or procedures regarding disputes or grievances.

Disputes between a member and the society or its board are dealt with in Model Rules published by Plunkett Foundation and Co-operatives UK.

#### EXAMPLE

##### Excerpt from Plunkett Foundation Model Rules

*Any dispute, between the Society or an officer of the Society on the one hand and a Member or a person who has for not more than six months ceased to be a Member on the other hand, as to the interpretation of or arising out of the Rules shall (except as otherwise provided in the Rules) be referred, in default of agreement between the parties to the dispute, to a person appointed by the Chief Executive of the Plunkett Foundation, on application by any of the parties. The person so appointed shall act as sole arbitrator in accordance with the Arbitration Act 1996 or the Arbitration (Scotland) Act 2010 and such person's decision shall (including any decision as to the costs of the arbitration) be final.*

#### EXAMPLE

##### Excerpt from Co-operatives UK Model Rules

*In the event of a dispute between the Society or its Board and a Member of the Society or a former Member, such dispute shall be referred to an independent arbitrator whose appointment is acceptable to both parties to the dispute or in the absence of agreement to be nominated by the Secretary General of Co-operatives UK (or any role or body that succeeds to its function). The decision of such an arbitrator shall be binding. In the event that a dispute cannot, for whatever reason, be concluded by reference to an arbitrator, the matter may be referred to the county court (or in Scotland, to the sheriff). Any Person bringing a dispute must, if so required, deposit with the Society a reasonable sum (not exceeding £100) to be determined by the Board. The arbitrator will decide how the costs of the arbitration will be paid and what should be done with the deposit.*



Standards of behaviour for the directors should be set out in a Code of Conduct, which will also include details of how to handle any breach.

## EXAMPLE

### Excerpt from the Plunkett Foundation Code of Conduct template

#### 5 Non-compliance with this Code of Conduct

**5.1** If a Committee Member commits a serious breach of this Code of Conduct, it may result in removal by resolution of the requisite majority of the remaining Committee Members, as required by the Rules.

**5.2** Before any resolution to remove a Committee Member may be considered by the remaining Committee Members at a meeting:

**5.2.1** full details of the alleged material breach shall be put in writing, together with details of the grounds upon which it is considered not to be in the best interests of the Society for them to continue as a Committee Member, and sent to the Committee Member concerned to be received not less than 14 days before the meeting;

**5.2.2** the Committee Member shall be given the opportunity to respond, in writing or in person at the meeting.

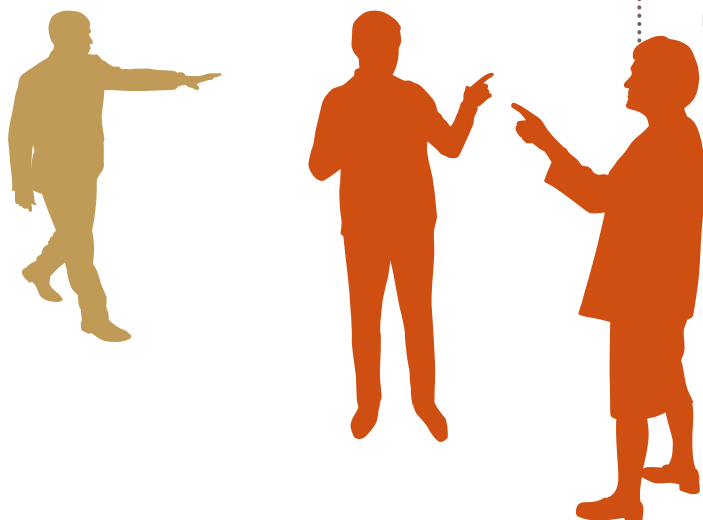
## Create your own procedure

It is good practice to establish a procedure for how to handle conflict between members, or at the very least some guidance on how directors should respond.

## ! TOP TIPS

### Dealing with disputes on behalf of the Society:

- Keep calm and do not make hasty decisions
- Ensure any complaint is made in writing
- Follow all existing procedures, policies or Rules
- Start by asking how the dispute might be resolved. What action is the complainant seeking?
- Don't let it get personal - you are acting on behalf of the society. If you feel you have a personal interest, step aside and get someone else to deal with the issue
- Focus on the interests of the society above the interests of individuals
- Identify the core issue
- Try to identify solutions that will resolve the complaint or dispute
- Make sure everything is written down
- Bring in someone from the outside if you need mediation or arbitration



## How to avoid conflict

Some conflict within a community pub can be prevented. The roots of conflict often lie in poor communication or competition for resources. Conflict can also be the product of stress or over-work by volunteers, problems with the business and seeking to apportion blame to individuals rather than take collective responsibility. Seeking to understand and address the root cause can help you to identify a solution and to prevent further instances of conflict in the future. Some conflict can be resolved by finding a solution that both parties agree with, but this is not always the case.

### CASE STUDY

**The Management Committee of a community pub were embroiled in serious conflict, with disagreement over whether the business was failing and in financial difficulties.**

Support from Plunkett Foundation found that the board were not receiving up-to-date financial reports, which had led to some directors fearing the worst based on the fluctuating bank account. The Treasurer was struggling to find the time to produce management accounts in addition to keeping the books up to date and dealing with cashflow problems. The root cause of the conflict was a combination of fear brought about by a lack of information, and a board that did not have sufficient capacity.

The proposed solution was to recruit more members to the board to share the workload, and to ensure that regular financial reports were produced so the board could openly discuss the finances and take any required action.



## 7 REGISTER OF MEMBERS AND OFFICERS

Every society needs to keep a Register of Members and Officers at its registered office ('Officers' is another name for directors or management committee). The Register of Members must record the following:

- The member's name and postal address
- An electronic address for the purposes of receiving notices or documents (where 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, and
- The date the person ceased to be a member (where applicable).

The Register of Officers needs to include:

- The officer's name and postal address
- An electronic address for receiving notices or documents (where notified) and the purposes for which it has been notified
- The office held
- The date the person took office.

This requirement should also be set out in your registered rules.

### Right to inspect the register

The society must keep a duplicate register at its registered office, containing the information in the register *except* information about members' shares and other property in the society. If there is no duplicate the society should construct the register in such a way that it is possible to inspect the information that would be contained in a duplicate

register, without exposing information about members' shares and other property in the society.

The members of a society and "any person having an interest in its funds" must be allowed to inspect at all reasonable hours their own account. They must also be allowed to inspect all entries in the society's duplicate register of members and officers. If no duplicate register is kept, they must be allowed to inspect all entries in its register except those that detail shares and property of members the society holds. This requirement should also be set out in your registered rules.

### CASE STUDY

**A member of a community pub wanted to consult the Members' Register. The Secretary refused to allow the member to inspect the register citing compliance with the recent 'GDPR' regulations concerning personal data.**

Advice from a Plunkett Foundation More Than A Pub advisor directed the management committee to the rules, which made it clear that access should be provided. As the society did not hold a duplicate register, the Secretary provided access to the register but held a piece of paper over the column detailing shares held by members. In this case, the society should consider detailing shares and property in a different section of the register, or creating a duplicate register to allow easier inspection of the register.



## 8 COMMUNITY SHARES

**This section is a brief outline of key legislative and policy issues relating to the management of community shares. For complete guidance on community shares, please see the *Community Shares Handbook* published by the Community Shares Unit.**

### Payment of interest on withdrawable shares

The FCA publishes guidance on the payment of interest on withdrawable shares in societies (also known as community shares). This guidance states that the maximum rate of interest paid on shares should be declared in advance of the period for which it is intended to be paid, whether in its rules or elsewhere, and that this is the lowest rate sufficient to obtain the necessary funds from members who are committed to furthering the society's objects. Further, if the society cannot afford to pay the declared maximum rate, interest payments are reduced, or no interest is paid at all, without compensation in subsequent years. Societies need to be able to justify a decision to pay interest at a particular rate, and be able to demonstrate the basis for that decision should the FCA request.

Your rules will detail limits on interest payable – in currently available model rules this is typically 5% or 2% above Bank of England base rate, whichever is greater.

Any public share offer document should have stated a target interest rate payable on community shares and is a contract. The interest paid should not exceed this target. However, if the society has made insufficient profits, it may pay less than the target as interest payments should be made from trading profits. The directors should consider the long-term interest of the society before deciding, or recommending, the proportion of profits that should be allocated to paying interest on community shares.

### Maximum shareholding

The CCBS Act sets out that a member may not hold more than £100,000 of withdrawable shares in a society, unless they are themselves a registered society. However, good practice from the Community Shares Unit sets out that no more than 10% of withdrawable share capital issued by a society should be held by one individual.

### Withdrawal of shares

Terms and conditions for withdrawal of shares should have been set out in any share offer document. There will also be terms set out within your rules. In general, societies process applications for withdrawal in the order they are received, and will have a limit to the amount of withdrawal they will allow each year. Societies have the right to suspend withdrawal if the society does not have sufficient cashflow. Directors should consider the ongoing capital needs of the business before making any decisions on withdrawals.

## 9 EXISTING GUIDANCE AND LINKS

- **Template Code of Conduct for Management Committee**

Can be found at the rear of Plunkett Foundation Model Rules – please ask Plunkett Foundation for a copy if you do not have one

- **From Conflict to Co-operation**

A series of easy to read booklets designed to help community businesses understand and avoid conflict. Includes guidance on meeting effectiveness  
<https://www.uk.coop/resources/conflict-co-operation>

- **Guides for Society Directors, Chair and Secretary**

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

- **The Make Up of a Co-op Board**

Film and guidance

<https://www.uk.coop/the-hive/resources/make-up-of-the-board>

- **The Role of a Co-operative Board**

Information sheet

<https://www.uk.coop/the-hive/resources/role-board>

- **Simply Governance**

A comprehensive guide to understanding the systems and processes concerned with the running of a sustainable community enterprise

<https://www.uk.coop/resources/simply-governance-guide>

- **Chairing**

A useful blog from Co-operatives UK

<https://www.uk.coop/newsroom/chairing-how-handle-different-personalities-meetings>

- **Audit Requirements for Societies**

A guide from Co-operatives UK

<https://www.uk.coop/the-hive/resources/finance-toolkit-co-ops>

- **Guidance on the FCA's registration function under the Co-operative and Community Benefit Societies Act 2014, November 2015**

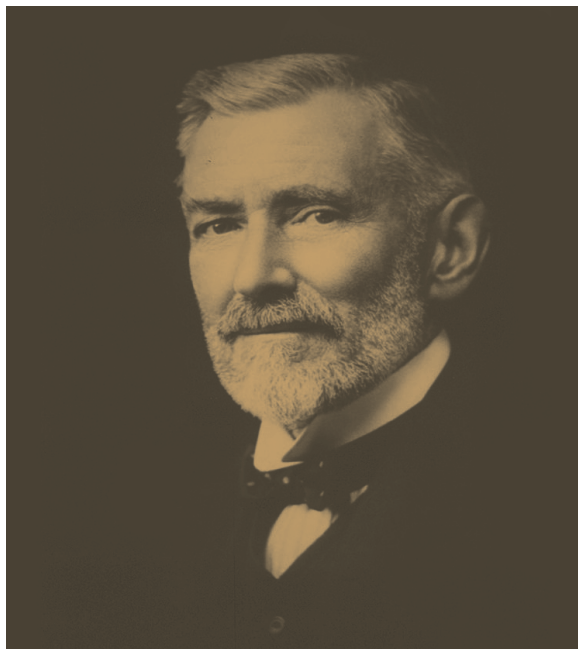
A weighty tome that sets out Directors' Duties and other relevant guidance

<https://www.fca.org.uk/your-fca/documents/finalised-guidance/fg15-12>

- **Community Shares Handbook**

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





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## About Plunkett Foundation

Established in 1919, Plunkett Foundation helps communities to take control of their challenges and overcome them through co-operation and collaboration. We support people, predominantly in rural areas, to set up and run community businesses: enterprises that are owned and run democratically by large numbers of people in their community. They help people to tackle a range of issues such as isolation, loneliness and poverty, and come in many forms including shops, cafés, pubs and land-based initiatives, and anything in between.

**If you share our values, ask us about becoming a member**

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