

Starting a Co-operative:

Introduction

Irish Co-operative Organisation Society (ICOS)

Document outlining the necessary steps in setting up a co-operative, and the services provided by the Irish Co-operative Organisation Society (ICOS) to its new members.

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1. ICOS – Irish Co-operative Organisation Society

The Irish Co-operative Organisation Society (ICOS) is a co-operative umbrella organisation that serves and promotes commercial co-operative businesses and enterprise across multiple sections of the Irish economy.

Our mission is:

Generating leadership, competitiveness and value through stronger co-operation and world class service

Within ICOS we aim to embrace the pioneering, innovative and tenacious spirit of our founding members to help strengthen our co-operatives operating in today's commercial and competitive world.

Our core values are:

vision | leadership | value

Vision – As the umbrella organisation representing many of Ireland's agribusiness co-operatives, ICOS has a responsibility to sense the future, innovate and help evolve the co-operative movement to help meet the needs of its members and the needs of the market place.

Leadership – ICOS is the unifying voice for Irish co-operatives. ICOS endeavours to show leadership and direction in order to maintain sustainable business growth in an ever growing globally competitive marketplace.

Value – ICOS strives to deliver tangible value to its members. We aim to educate our members on the value of the co-operative, encourage and develop the next generations of co-op leaders to ensure sustainability, self-governance and self-responsibility.

ICOS member co-operatives collectively have over 150,000 individual members, employ >12,000 people in Ireland (a further 24,000 abroad) and has combined turnover of €14 billion. Starting from agriculture co-op roots and the vision of our founding President Sir Horace Plunkett in 1894, ICOS today has evolved to serve the co-operative sector in seven core categories namely:

1. Advisory and Education related Co-ops
2. Community oriented, Culture & Leisure Co-ops
3. Food, Fishing & Beverage Co-ops
4. Livestock sector Co-ops
5. Multipurpose Dairy Co-ops
6. Store, Trade & Wholesale Co-ops
7. Service related Co-ops

2. What is a Co-operative

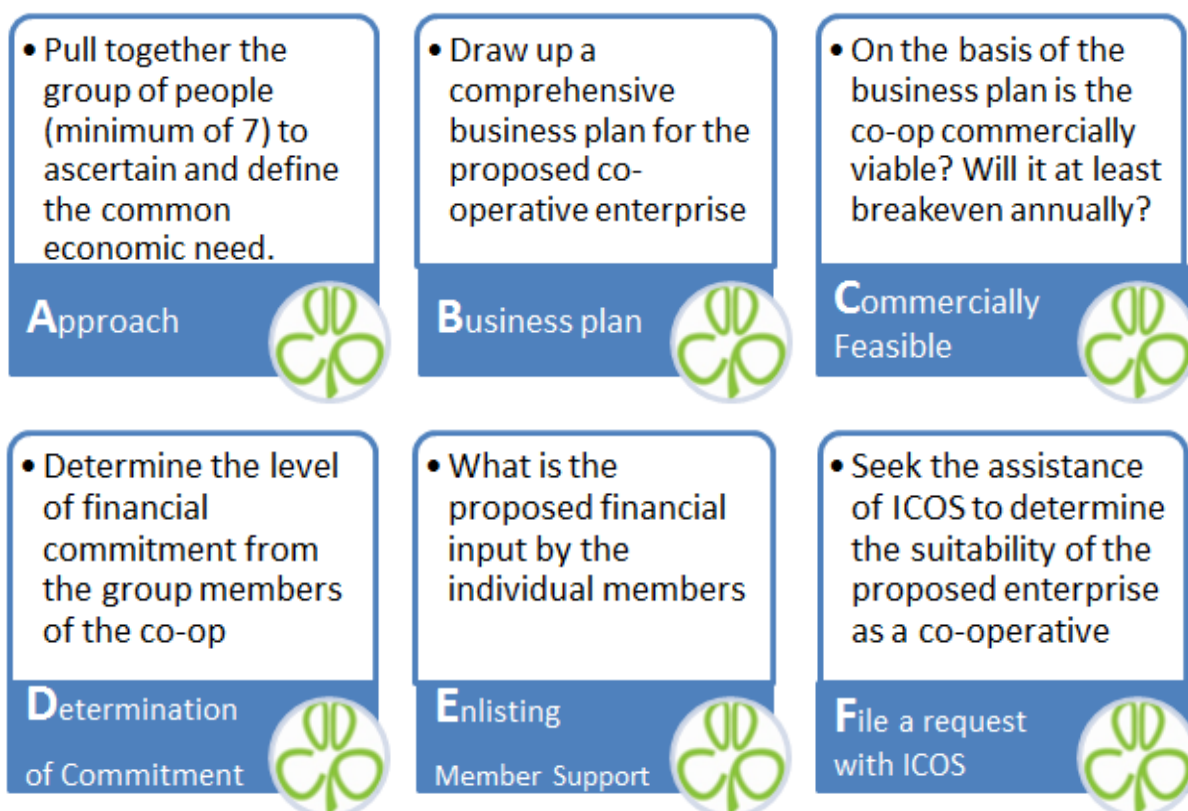


What is a co-operative?

A co-operative is an enterprise which is owned and controlled by its user members and operates for the benefit of its user members.

3. Starting a Co-operative

ICOS background and knowledge in the co-operative movement benefits those wishing to set up new co-operatives. In fact, we try to make setting up a co-operative as easy as A - B - C. ICOS lists the following steps when accessing the viability and suitability of the proposed enterprise as a co-operative.



A - Approach

- Do you have a minimum of seven people who have a common need and are willing to form a co-operative?
- Have you defined an economic need for that co-operative?

B - Business Plan

- Has a business plan for the proposed co-operative been drafted?
- An example of a Business Plan template is available on request from ICOS.

C – Commercially Feasible

On the basis of this business plan and the projections outlined within it, is the enterprise;

- Commercially viable?
- Will it at least breakeven annually?

D – Determination of Commitment

Are the members of the proposed co-operative willing to put forward finances to help start the proposed co-operative. A registered co-operative, like a company, is an incorporated legal entity with Limited Liability. It can act on its own initiative, it can enter contracts, can sue and be sued, but must also be responsible for its actions.

E – Enlisting Member Support

Discuss and agree the level of support, (e.g. the percentage of member share capital in start-up funds) that the members are willing to commit to the enterprise.

F – File a Request with ICOS

When the steps outlined above have been completed please file a request with ICOS. ICOS may require to meet with the group prior to registration.

4. Co-op vs. Limited Company

The basis for making the choice between registering as a co-operative under the Industrial and Provident Societies Act or as a company under the Companies Act should first and foremost be determined by the suitability of the corporate structure to the strategic plan and intent of the business being established.

Co-operatives place considerable emphasis on the ethos of member benefit, member participation and member loyalty. Transparency, openness and democratic accountability are also a part of the co-operative ethos. If, in the organisation of the new venture, practical measures and policies can be put in place to cultivate and sustain these values, the co-operative corporate form should yield competitive advantages over use of a company structure. These would arise if the co-operative showed itself as being able to turn these values into a better sense of identification with, commitment to and willingness by members to use the new organisation. Thus there is merit in the founding members of the new organisation giving some thought to the process they will use to communicate and win support for whatever structure they seek to put in place, as this should yield a greater loyalty dividend subsequently.

It is perhaps in the area of identity and ownership that both corporate forms differ most. Co-operatives are uniquely associated with the idea of democratic control and being open accountable businesses accessible to all those who are able to use their services and are willing to accept the responsibilities that being a co-operative entails. Thus singular emphasis is put on the idea that those members who actively used the services of the co-operative are the persons who should be in control and should benefit from its services. A corollary to this idea is that these members should also contribute to the financing of the business in proportion to the use they are making of it.

Item	Co-operative	Private Company
Limited Liability	Yes (value of the share capital given by the individual members)	Yes
Membership	No Limit	99
Perpetual Succession	Yes	Yes

Can Issue Share Capital	Yes	Yes
Can Reduce & Expand Share Capital	Yes	Yes, but with strict criteria
Minimum number of Members	7 individuals	1 or 2
Compliance Burden	<ul style="list-style-type: none"> • Conduct an annual audit • Submit annual returns 	<ul style="list-style-type: none"> • Conduct an annual audit • Submit annual return • Submit returns in regard to changes of directors and officers • exemption for certain types of company
Back-up Services	See below - Section 8. ICOS Back-up services and Co-operative Development	Separate Legal Fees and Consultant Costs
Power of Nomination of Shares	Yes, up to €15,000	No
Taxation Status	Same for both Co-operatives and Private Companies	Same for both Co-operatives and Private Companies
Are Model Rules Available	Yes	No

5. ICOS Expertise in starting new co-ops

ICOS was formed in 1894, one year after the Industrial and Provident Societies Acts of 1893 was signed into law.

The Registrar of Friendly Societies is responsible for registration new co-operatives in Ireland. Their website recognises the role of ICOS in formulating model rules for Irish co-operatives.

Their website states;

'Registration of Industrial & Provident Society

In order to register an industrial and provident society, the grouping involved, which must consist of at least seven people, must draw up a set of rules governing the operation of the society. The rules must as a minimum contain the matters required to be provided for by the second Schedule of the Industrial and Provident Societies Act 1893. The rules, together with the prescribed application form and fee are submitted to the Registrar for examination and, once the rules are found to be in accordance with statute, the society is registered.

There are a number of representative groups for co-operatives with whom the Registrar has agreed forms of Model Rules which can be used in the registration of societies. The Irish Co-operative Organisation Society Limited (ICOS) has agreed Model Rules [and] ICOS can also assist in the establishment and registration of a co-operative'.

6. Incorporating a Co-operative Society

What Incorporation Means

Co-operative societies of all types are incorporated by being registered under the Industrial and Provident Societies Acts 1893 -1978. The Registrar of Friendly Societies administers these Acts. The office of the Registrar is located at Parnell House, 14 Parnell Square, Dublin 1.

A minimum of seven persons is required to incorporate a co-operative society under the legislation. (Where a federal or secondary co-operative is being established by two or more co-operatives a minimum of two participating co-operatives is sufficient.) A suitable name must be chosen for the co-operative and the name must include the words "Society" and "Limited". A registered office for the proposed co-operative must be identified to which all correspondence can be sent.

Legal Nature of a Co-operative

A registered co-operative, like a company, is an incorporated legal entity. It is a legal person separate from the members who set it up. It can act on its own initiative, can enter contracts, can sue and be sued, but must also be responsible for its actions. Like a company, a co-operative enjoys limited liability. The liability of the members is limited to the shares they have applied for in the co-operative. The word "Limited" should always appear after the name of the co-operative.

Special Members

The people who sign the application for registration are called the Special Members. They must act as the Committee of Management or Board of Directors of the co-operative until the first Statutory General Meeting is held, usually as soon as convenient after registration.

New Members/Elections

Authority to admit people to membership of a co-operative rests with the Committee of Management/Board (with the Special Members until the Committee or Board is first elected). The Special Members admit applicants to membership of the co-operative and issue them with shares for which they have applied. Usually a standard form of application is available and each co-operative will have its own internal rules about the level of investment required from members.

The new total membership will then elect a Committee of Management or Board under the Rules of the co-operative and that group will normally hold office for a year until the next Annual General Meeting. The Rules provide for a proportion of the Committee/Board to retire each year and be eligible for re-election.

Shareholding Limits

Under current legislation no individual member can hold an interest of more than €150,000 or 1% of the total asset value of the co-operative whichever is the greater in any co-operative society.

Reporting Requirements

The law requires that each society must keep appropriate accounts, books and records and the members in general meeting must appoint a public auditor annually. There is also a requirement that the audited accounts be submitted with a properly completed Annual Return to the Registrar of Friendly Societies by 31st March. The appropriate forms and further details in regard to these requirements can be had by contacting the Registry of Friendly Societies.

7. Statement on the Co-operative Identity

The Statement on Co-operative Identity was adopted at the 1995 General Assembly of the International Co-operative Alliance (ICA), held in Manchester on the occasion of the Alliance's Centenary. The Statement was the product of a lengthy process of consultation involving thousands of co-operatives around the world.

Values:

Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

Principles:

The co-operative principles are guidelines by which co-operatives put their values into practice.

- **Voluntary and Open Membership:** Co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.
- **Democratic Member Control:** Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives, members have equal voting rights (one member, one vote), and co-operatives at other levels are also organised in a democratic manner.
- **Member Economic Participation:** Members contribute equitably to democratically control the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any of the following purposes: a) Developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible. b) Benefiting members in proportion to their transactions with the co-operative. c) Supporting other activities approved by the membership.
- **Autonomy and Independence:** Co-operatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain the co-operative identity.
- **Education, Training and Information:** Co-operatives provide education and training for their members, elected representatives, managers and employees so that they can contribute effectively to the development of their co-operatives. They inform the general public—particularly young people and opinion leaders—about the nature and benefits of co-operation.
- **Co-operation Among Co-operatives:** Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.
- **Concern for Community:** Co-operatives work for the sustainable development of their communities through policies approved by their members.

8. ICOS – Back-up Services & Co-op Development

ICOS provides a broad range of services to its members. Such areas of service include:

1. Providing a Co-operative Voice
2. Customer Service, Co-op Development & New Co-op Registration
3. Co-op Rules & Governance
4. Lobbying & Representation
5. Sectorial Expertise
6. Training & Education
7. Networking & Synergy
8. Communication
9. Promoting Overseas Development
10. Funding Opportunities

For further details please see our website.

Contact

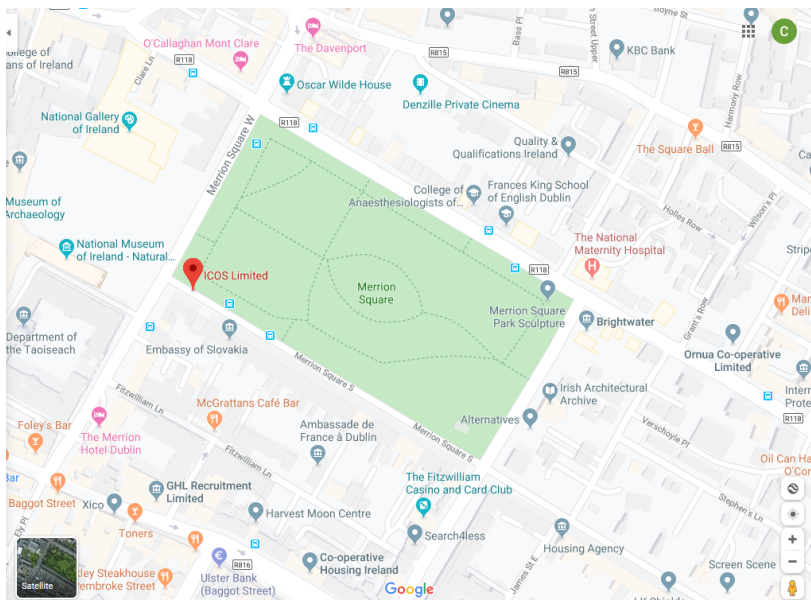
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