



CO-OPERATIVES UK

Co-operative call to action

Why co-operatives are good for Britain
– and what government can do to help

“For the coalition government, harnessing co-operative action and innovation is a clear opportunity.”

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“Co-operatives can help government to achieve a radical transformation.”

The case for co-operation

There is increasing evidence across a range of disciplines that people are co-operative as much as they are competitive. Over recent years, policy and politicians have neglected this truth. Britain has therefore lost out by missing some of the opportunities for innovation, business success and social responsibility that co-operation brings.

There is a spectrum of co-operation. It is not that every business should be a co-operative or mutual. But every business can benefit by being more co-operative. We know that the UK has a very high degree of workers – 23% – that are not engaged in their workplace and that this comes at a cost. Drawing on a methodology developed for the USA, Co-operatives UK estimates the minimum annual economic cost of this failure for the UK stands at around £36bn.

The co-operative model of business is extraordinarily flexible.

There is, after all, a growing consensus on the factors that serve business excellence – a clear mission, better services and products, giving consumers power, nicer places to work, engaged staff, less social and environmental harm. There is good practice on some or other of these elements in plenty of workplaces, but taken together, they are what many would describe as a co-operative.

The co-operative model of business is extraordinarily flexible. It allows villages to make a success of shops threatened with closure and, now, communities to reopen pubs that are closed. It allows freelancers in the creative economy to come together for mutual benefit. It allows for sensitive services, such as funeral care, in which consumers are often vulnerable to be delivered with trust and dignity. It allows residents to take responsibility for their own community through housing co-operatives. At the heart of its success are fundamental values, of equality, democracy and participation.

Our vision for a self help society

Until now government has looked, to varying degrees, to either plcs or philanthropy to provide economic and social security. As enterprising organisations based on self-help and mutual aid co-operatives offer a trusted, alternative approach.

A thriving co-operative economy already exists in the UK. There are 4,992 co-operative businesses, owned by 12.9 million people – one in five of the population – and sustaining more than 237,000 jobs. The sector has a combined turnover of £33.5 billion – around £644 million per week.

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Co-operatives are independent businesses, but as with any other form of enterprise, need the right environment to thrive. People need the right support and tools to for self help to succeed. Co-operatives need a fit for purpose legislative environment and recognition in key areas of economic and social policy.

For the coalition government, committed to the 'Big Society' and new freedoms in a context of tight fiscal discipline, harnessing co-operative action and innovation is a clear opportunity.

The key levers for enabling a more co-operative, self help society are:

- Cutting red tape. Make it as easy to set up a co-operative as any other business. Encourage and support effective self-regulation of the co-operative sector.
- A clear vision and roadmap for co-operative development drawn up as a partnership between government and sectoral bodies.
- A clear role and vision for co-operatives across the major areas of business policy including business advice and support, innovation, entrepreneurship, finance, the creative, digital and green economies, as well as farming and food.
- Further legislative reform. Much progress has been made in modernising legislation affecting co-operatives over the last few years. It is important that these efforts continue, to ensure that co-operative legislation keeps pace with wider corporate law. This should include a complete review of co-operative legislation and a new Act in line with recent company law reform.
- Action to protect the term 'co-operative' in registration to safeguard standards and ensure co-operatives remain a trusted business model.
- Learning from the success stories of devolution. Devolution has created opportunities for developing and promoting the co-operative advantage.

The creation of Co-operative Development Scotland, for example, as an integral part of business policy, has helped to support employee buyouts and new start co-operatives. In Wales, collaboration between trade unions and the co-operative sector has led to a vibrant co-operative economy. Co-operatives UK's work includes engagement with the devolved administrations but this document covers powers held or reserved by the UK government.

- Support for the roll out of community investment. Over 90 cases of community investment have been identified in the UK, more than half of which are new community enterprises formed in the last ten years. These newer initiatives have raised more than £42m from over 30,000 community investors.

Our five themes for a more co-operative economy are:

Economic renewal A more participative economy will be a more productive economy, and the co-operative option can be effective for all settings from saving a business through an employee buy-out to allowing freelancers or low-paid workers to gain strength by clubbing together. The goal should be to make it as easy to start or to convert to a co-operative business as it is a private enterprise, by removing red tape and including co-operatives at the heart of business policy.

Social innovation To find new solutions to public service problems in a context of tight resources, we need new forms of co-operation. Much of this, in fields from social care to crime, is about a radical shift in resources, investing in prevention at the community level and handing more control to service users.

A fairer society In comparison to other developed countries we have high levels of inequality. Why? Because we have a culture that tolerates it. To reduce the stresses of inequality, we need to rebuild a culture that cares and reassert key social norms of reciprocity. At a global level too, co-operatives play a critical role in tackling poverty, from farm networks to all the co-operatives behind fair trade.

Devolution has created opportunities for developing and promoting the co-operative advantage.

Climate change To deal with climate change and resource depletion, we need co-operation. The evidence is that most people will take and support action at different levels if they know they are not acting alone. Co-operation works well for long-term issues and encourages collective action on the basis of 'I will if you will'.

Digital futures To take advantage of the digital economy, the UK has to embrace the creative commons of co-operation online, from open source to platforms for user generated content. If there can be increasing as well as diminishing returns to investment in a knowledge economy, then economic policy should encourage sharing and limit the reach of monopolies.

Coalition commitments to co-operation

We were encouraged that all major parties in the 2010 UK election committed to supporting co-operatives and mutuals and that the coalition government has recognised the benefits of co-operative enterprise.

With the wider mutual sector – financial mutuals, building societies and employee-owned businesses – which has a turnover of £100bn a year, co-operatives campaigned for a new government to make a commitment to encourage a diverse economy.

The coalition government's commitments to co-operatives and mutuals, May 2010

- Bring forward detailed proposals to foster diversity in financial services, promote mutuals and create a more competitive banking industry
- Seek an injection of private capital into Royal Mail, including opportunities for employee ownership
- Encourage the reform of football governance rules to support the co-operative ownership of football clubs by supporters
- Encourage community-owned renewable energy schemes where local people benefit from the power produced
- Support the creation and expansion of mutuals, co-operatives, charities and social enterprises, and enable these groups to have much greater involvement in the running of public services
- Give public sector workers a new right to form employee-owned co-operatives and bid to take over the services they deliver.

Conservative and Liberal Democrat commitments to co-operatives and mutuals

- Our new 'community right to buy' scheme will give local people the power to protect any community assets that are threatened with closure. In addition, we will:
 - give people a 'right to bid' to run any community service instead of the state; and,
 - reform the governance arrangements in football to enable co-operative ownership models to be established by supporters. *Conservative Manifesto 2010*
- Pass a new Mutuals, Co-operatives and Social Enterprises Bill to bring the law up to date and give responsibility for mutuals to a specific minister. *Liberal Democrat Manifesto 2010*
- A Conservative government will establish a Public Sector Co-op Service, which will have a full-time staff with the resources and expertise needed to provide guidance to every public sector body about becoming a co-op. *Conservative Party press release 17 April 2010*
- Agree and implement a Co-operative Action Plan – empowering and enabling co-ops to play a much bigger role in running and owning community assets and services.
A Stronger Society: Voluntary Action In The 21st Century, Conservative Party 2008

Economic renewal

Government can act to nurture and support the growth of a more co-operative economy. It should ensure a level playing field in legal form and adopt business and fiscal policies that allow all business models an equal chance of success.

Modernising Industrial and Provident Society (IPS) legislation

There has been legislation consolidating other corporate forms in recent years, through the Companies Act and the Charities Act, and real progress has also been made in improving IPS legislation. In some cases, this has been long overdue and required significant effort to bring it into line with modernised legislation for companies. Unlike legislation for conventional businesses, legislation affecting co-operative IPSs cuts across departments. It mostly resides with HM Treasury, but co-operatives are businesses and the Department for Business, Innovation and Skills (BIS) must have a shared role in developing this agenda. The current approach puts IPS co-operatives at a competitive disadvantage, where they often have to wait many years to enjoy the same benefits as companies.

Government can act to nurture and support the growth of a more co-operative economy.

The legal forms open to co-operatives still suffer from outdated restrictions, from electronic communication to ways of entering administration. Some of these can be resolved through powers the Treasury has to table secondary legislation, including immediate action to implement existing changes for industrial and provident societies and credit unions – but there are fifteen acts that cover IPSs and there is a strong case for primary legislation to consolidate and simplify these.

This would achieve a policy objective of making it as easy to start a co-operative as any other form of business.

Government should:

- Make a commencement order for the Co-operative, Community Benefit and Credit Unions Act 2010.
- Ensure that IPSs are treated equally with companies in maintaining and improving their legislative environment, by completing the necessary update of IPS legislation and ensuring that IPS legislation keeps pace with company law reform.
- Promote higher standards of transparency and accountability by improving public access to electronic information on IPSs including access to their annual financial and social reports and the ability to file documents electronically.

- Pass a consolidation Act to bring all IPS legislation together as is the case with companies.
- Introduce the final parts of the Building Societies (Funding) and Mutual Societies (Transfers) Act 2007 to provide mutuals and IPSs with options for mergers and transfers to build a strong and sustainable financial mutual sector. This Act removes existing funding limits for building societies, subject to regulation by the Financial Services Authority, and will enable specified categories of mutual organisations to transfer engagements to one another or to a company. It has, for example, facilitated the recent merger between Co-operative Financial Services and Britannia Building Society.
- Consult with the co-operative and mutual sector on options for where the IPS registration functions should sit after the abolition of the Financial Services Authority.
- Increase the limit on withdrawable shares in line with inflation.
- Introduce provisions under the Enterprise Act to allow IPSs to go into administration.
- Introduce provisions under the Industrial and Provident Societies Act 2002 to assimilate IPS law with changes to company law.
- Allow co-operative societies to adopt an asset lock.
- Confirm that charities can convert to IPS Bencoms in line with the permitted conversion to CICs.

Business policy

We call upon the government to commit to ensuring that co-operatives are understood and receive equal treatment across all government departments and uses its influence with Regulators to make sure that they act in a way that respects diverse forms of ownership.

In particular, government has the opportunity to:

- Ensure that the impact assessment of new legislation takes all legal forms into consideration so that the implication for IPSs is considered as a matter of course.
- Ensure that viable businesses are not failing unnecessarily, by making support available for the conversion of businesses to co-operatives and making employee ownership – especially business succession – an upfront option in all business advice.

- Promote the creative economy, by highlighting the benefits of co-operatives in allowing individuals and business to achieve scale through working together. The co-operative approach, for example, can benefit freelancers in the creative and IT industries who may otherwise be in a vulnerable economic position by bringing them together, enabling sharing of ideas and providing security.
- Support the conversion of public services to co-operatives and mutuals by a business conversion unit, in line the proposals made during the election. This will involve staff, support and ministerial interest but does not require any significant resources. The co-operative sector stands ready to welcome, feed into and help develop the work of this unit. There is an urgent need for this if there is to be an effective take-up of co-operative models.
- Tackle the growing challenge of low-skill unemployment or low-paid employment by looking for ways for people to come together through co-operatives. For example, this could include steps to integrate the opportunity for co-operative action into contracts for adult learning and

It should be made easier for people on welfare benefits to make the transition to work.

training, combined with links to business advice. We believe that it should be made easier for people on welfare benefits to make the transition to work by setting up, or joining, a co-operative. There is a track record for this approach in many other countries: their benefits continue during the transition, and they are then able to capitalise the benefits to provide start-up finance.

Fiscal policy and community investment

Co-operatives should operate on equal terms where there are fiscal incentives for entrepreneurialism and employment. There is a need to level the playing field for co-operative enterprise in schemes where their contribution has been overlooked in the context of reduced public expenditure. This is not about increasing public expenditure, but about being included on an equitable basis in all schemes that government does still run. There is also scope to develop thousands of locally owned enterprises providing community services and infrastructure, financed by the community, who share the profits and benefits of enterprise.

Government should therefore explore and cost the following relevant measures:

- Ease the process of converting to a co-operative model through legal and fiscal instruments. This could include fiscal incentives – for example, a newly mutualised business could attract tax relief for the investors for a set period after conversion. In the period leading up to the conversion, donations or investment could provide tax relief for the donor/investor.

There is scope to develop thousands of locally owned enterprises financed by the community.

- Continue to allow Industrial and Provident Societies to be eligible for tax relief under the Enterprise Investment Scheme (EIS). EIS has proved useful for attracting investment in Industrial and Provident Society (IPS) share issues, ensuring innovative community-based businesses have been able to proceed. Government should carefully consider the particular safeguards that the IPS model displays with regard to such capital. For instance, IPS withdrawable share capital which has a minimum period of five years should be classified as acceptable in its own right for the purposes of EIS. The limit for EIS should be raised above its current £2m limit to £10m, with savings made by tightening up restrictions on qualifying legal entities (IPs, Community Interest Companies(CICs) and charities) and/or for certain industrial sectors such as renewable energy which need investment on a greater scale.
- Permit Self Invested Personal Pension Schemes to invest in IPSs and CICs, especially property-based ones such as Community Land Trusts, housing co-operatives and low carbon energy schemes.
- Consider options for allowing IPS community benefit societies (IPS Bencoms) to benefit from some of the tax advantages enjoyed by charities, given that they operate for the benefit of the community, rather than for private gain. This could be through either a tax break – recognising that Bencoms make surpluses, not profits – or through making Bencoms eligible for Gift Aid.
- Continue the Community Investment Tax Relief scheme, which has been an important route for investment for some Community Development Finance Institutions (CDFIs) and the social enterprise sector. The scope of the scheme could also be broadened to encourage communities to invest in their own services and infrastructure.
- Improve the fiscal stimulus for community investment, by extending the zero rated exemption for corporation tax currently available only to charities, to include asset locked IPS community benefit societies.
- Support the development of self-regulatory practices covering community investment offer documents and the training, accreditation and recognition of community investment business advisers.
- Enable people on lower incomes to invest in community enterprise by supporting intermediary finance models that can allow members to make a regular subscription over a period of several years.
- Review the CIC regulations, with the aim of enabling this legal format to practice community investment.

Social Innovation

Co-operatives and co-owned businesses are playing an increasing role in the delivery of public services. From education to housing, health care to leisure services, both user and staff led co-operatives are providing high quality public services that respond efficiently to need.

Government should take advantage of the benefits of this locally led approach by developing a clear policy context for co-operatives and mutuals within public service delivery, as has been the case with the NHS 'right to request', to remove some of the risks associated with moving into new or developing markets. This policy framework needs to be stable, with clarity on likely future resources, if public service staff and other stakeholders are to be encouraged to run their own enterprises.

What matters to citizens and to public service workers is how co-operation and mutuality can help organisations to deliver better services on a sustainable basis with more of a human touch. The good news is that there is an emerging body of experience now on new models of public service delivery.

Quality matters and all new public service mutual enterprises should therefore meet a quality requirement.

To harness the potential of mutual models, commissioning should explicitly take into account ideas for the redesign of services – and for the achievement of better outcomes and value for money – from users and service providers, rather than simply look to recreate existing social outcomes and models of service delivery.

Many public services are better suited to having the involvement not just of staff but of other stakeholders alongside them. The initial, default, approach should therefore be to explore the scope for a 'multi stakeholder' model.

Quality matters and all new public service mutual enterprises should therefore meet a quality requirement which we are offering to work with government to develop.

For services that will be contestable, the term for an initial period of trading before open competition should be long enough to enable the enterprise to move from transfer and start-up into a performance phase. Some services may never be contestable in this way, in which case the accountability should include a focus on payment by results.

The experience of pioneer models, for example in health and housing management, also points to the priority of removing barriers that stand in the way of co-operative and mutual enterprise. A series of practical improvements and steps for better regulation are urgently needed, to broaden the range of legal

models that can be used and, where the right safeguards are in place and there is no wider market for the services provided, consideration should be given to how taxes such as VAT and corporation tax could be better structured for the overall public benefit.

A central unit and relevant Cabinet Committee should facilitate and oversee progress across departments, in order to encourage innovation and best practice and to challenge silo models of working. The creation of a steering group of experts and practitioners from the co-operative and mutual sectors, linked into the appropriate Minister and unit in the Cabinet Office and with a close connection to the Treasury and Office of Government Commerce, would be a helpful way to steer policy towards success.

Health and care

The co-operative model is already employed across a range of health and social care markets including home care, out of hours GP co-operatives and foster care. There are also examples around the world of primary care that is delivered by self-help health co-operatives, working in partnership with statutory health trusts that procure their services.

The right policy framework can encourage the development of co-operatives. Recent innovations in mutual approaches to personalised budgets, for example, have shown that appropriately tailored support and seed corn funding has the potential to lead to sustainable user and carer led enterprises that provide high quality support. Procurement frameworks that recognise the added value of self help are also likely to lead to longer term value for money and better outcomes.

Co-operatives are providing high quality public services that respond efficiently to need.

The core purpose of the NHS in providing care free of charge at the point of need is as essential today as it has ever been. There are opportunities to improve services and to involve patients and the public more effectively. Whether it is more money or less that goes to the NHS, improvement should be the aim. However, there is also a need to set out more clearly what people are entitled to expect of the NHS, both on grounds of fairness and of clinical need. By being clearer what people's rights are, it is easier to be clearer on where shared responsibilities start. Public education and public debate can help to explore these sensitive issues. Should society fund elective, cosmetic and lifestyle choice procedures, for example? How can people best be supported to make informed decisions and choices on their healthcare, public or private? The five million people in the UK covered by cash plans are clear evidence of the sharing of responsibility, but just cutting the NHS in financial terms without considering how access to essential healthcare can be maintained is unfair and unsustainable.

The healthcare system needs an injection of co-operation, based on an open dialogue in relation to rights, responsibilities, clinical need and fairness.

Education

In education, the Co-operative Trust, and Academy, School model has been developed which allows schools to set themselves up as co-operatives, with co-operative values as their ethos and using a membership structure to engage parents, carers, pupils, teachers, staff and the local community. The first Co-operative Trust School was Reddish Vale Technology College, in Stockport. There are now 64 Co-operative Trust Schools, with a target of 200 schools by 2011. We call on government to promote the emergence of co-operative schools as a key part of its wider education policy.

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Alongside this is the need to build co-operation as a core competence learned in schools. One survey of 11, 13 and 15 year-olds in more than 30 countries asked the question 'do you find your peers generally kind and helpful?' Over half were able to answer 'yes' in every OECD country. The exceptions were the Czech Republic and the United Kingdom, where only 43% felt able to answer positively (half of the levels for Switzerland and Portugal). Co-operation is good for well-being, and it is also good for preparing young people for a world of work. It forms part of a vital set of 'non-cognitive' skills that help to build character and contribute to future success.

Housing

Out of school, with high levels of people living in unfit, overcrowded accommodation, housing is another opportunity for the co-operative approach. The independent Commission for Co-operative and Mutual Housing, conducting the most significant and far reaching review of the potential co-operative contribution to housing in several decades, published its report *Bringing Democracy Home* in November 2009. The Commission found that:

- existing co-operative and mutual housing delivers high resident and member satisfaction, operates effectively across a range of performance indicators, and establishes vibrant and sustainable communities.
- co-operative and mutual housing options could meet the housing needs and aspirations of all sections of the community in the current challenging housing market.

It set an objective for co-operative and mutual housing options to be available in every town, village and community by 2030.

Co-operative and mutual housing delivers high resident and member satisfaction.

We call on government to work sympathetically with the co-operative and mutual housing sector to develop this vision, to create the framework necessary to enable the sector to flourish, and to promote co-operative and mutual housing to local authorities, enabling them to play a role that will make co-operative and mutual housing models available to the general public.

Sport and leisure

One of the most iconic sectors for co-operative renewal in recent years has been sport. Co-operative supporters' trusts are excellent community anchor organisations for publicly funded community sports hubs and ensure any surplus derived from public investment is used to further the facility's objectives.

Sports clubs have a well-understood power to enhance community cohesion; what is less appreciated is their role in building social capital, providing social value through supporting communities economically. Research shows that most clubs under-achieve in these areas, and that there is a greater likelihood of achieving these goals with greater dispersal of ownership amongst the community, especially via a supporters trust.

At present, the odds are stacked against supporters' trusts taking this agenda further, as they are at a disadvantage to private investors, who have the upper hand in the sale of sports clubs because of ready access to capital finance.

Sports fans can be vocal, but there is no accountability in formal terms if they feel their club is being mismanaged and this lack of accountability is a major component of the financial and governance crises we see in English football on a daily basis, exemplified by the collapse of Portsmouth FC.

There is an opportunity here for sporting renewal, drawing on the example of clubs in the Bundesliga – the world's most profitable and sustainable football league – which combine co-operative membership with sporting success.

A radical agenda would explore how to empower sports fans to take control of their clubs.

A radical agenda that builds on this would therefore explore how to empower sports fans to take control of their clubs. In line with proposals for a wider 'community right to buy' government should consult on allowing supporters the right to buy their club if a certain proportion of season ticket holders are in favour of the move. The means for this could either be legislative, or use the existing membership criteria of the Football Association.

No doubt it would take time to implement this, but there may be opportunities to fast-track the process for clubs in difficulty, especially where the state is a major creditor. In most club insolvencies, the HMRC is a significant creditor which invariably loses most of the money it is owed due to the wider instability of the club and the difficulty of generating a secure surplus year-on-year. The HMRC should be able to write off debt – which is likely to be written off anyway – in order to leverage influence for a supporters trust to become involved in the ownership and management of the club.

These measures could be supplemented by a support function from government, removal of financial barriers (through tax relief or access to finance) and the right to buy at a fair market valuation.

After all, there is likely to be greater financial stability for spectator sports if the assets of sports clubs are in ownership of a not-for-profit community venture, preventing the community asset being used for casino-style leveraged financing for the benefit of shareholders. Sport is about passion and prowess. It is also, at scale, about business. A co-operative model balances each of these.

A fairer society

The co-operative model is able to address economic transactions in the context of social relationships and recognises that society as a whole is better off when people work together on an equal footing. Co-operation encourages inclusivity through preference for economic participation and ownership based on need rather than access to resources.

There are many options for government to develop a more co-operative and fairer society.

There are many options for government to develop a more co-operative and fairer society, building on what has already been achieved.

At present, for example, there are £1.2bn of annual tax incentives for employee share ownership. These have significant productivity benefits, but past schemes have tended to benefit people on higher incomes, so it would be welcome for government to explore options of how to widen access to employee ownership to those on lower incomes, in order to promote a more participatory economy.

Financial services

The changes to financial services regulation that are coming forward over the coming months ought to be an opportunity to encourage a diversity of institutional models.

Credit unions are a rare force for good in financial services. Since 1997 credit union membership has nearly trebled and shares and loans in credit unions have quadrupled. In total, there are over 655,000 adults using credit unions in Britain.

Credit unions are a rare force for good in financial services.

Over 100,000 junior savers are saving in credit unions, many through collection points in schools. To support the further development of credit unions, action that has the backing of the Association of British Credit Unions (ABCUL) could help in the following areas:

- Saving Gateway – credit unions are keen to offer Saving Gateway accounts to their members when these become available in 2010.
- Post Office Network – accessing credit union services through Post Offices.
- Central Services – a big investment in infrastructure for the sector is needed to enable credit unions to benefit from economies of scale and standardise procedures.
- Moneymadeclear – credit unions are taking part in delivering generic money guidance through the FSA Moneymadeclear pathfinders. Credit unions across the country are keen to get involved in the delivery of this service when it is due to roll out in 2010.
- Encouragement of public sector support for credit unions such as free payroll deduction facilities for public sector employees to pay into credit unions, assistance in occupying accessible and visible high street premises, promotion of credit unions through existing communication networks and encouraging public sector staff volunteering.
- Continuation of appropriate funding for credit unions including the Growth Fund, provision of subordinated debt and deferred shares (possible once new legislation is in place).
- Government promotion and publicity of credit unions including targeted campaigns to middle/higher income savers and borrowers in order for credit unions to operate more sustainably. In the wake of the credit crunch, government should look at options for a fundamental reform of financial services markets, from the introduction of a worldwide currency transaction tax with revenues to support sustainable development, the example of community reinvestment legislation in the USA to promote financial inclusion and the separation of narrow banking, where co-operative and mutual models have a

proud record, from the financial markets operations of investment banks. The fundamental weakness in financial markets has proved to be that the people that run banks have run them in the short-term interests of shareholders rather than the long-term interests of depositors.

Whether in the form of transfer for publicly owned banks or in the design of regulation and deposit insurance, co-operative and mutual models of ownership ought to be recognised and actively promoted as an essential part of a market that would serve society better. The Vickers Commission on the structure of banking, for example, should examine issues of institutional diversity and we propose that the new regulators develop a diversity index for key products and financial service markets, to report against on an annual basis.

Rural communities

Government can help rural communities to take control through community ownership.

Rural communities benefit from co-operative enterprise. The challenges facing rural communities are heightened by greater distances, a more dispersed population and the lack of access to jobs and services. Increasingly rural co-operatives are stepping up to the mark to overcome such challenges through a variety of innovative enterprises. Government can help rural communities to take control through community ownership, with action to:

- Assist them to get access to services, such as exploring a 'Right to Try' and associated controls and giving rural communities the time and appropriate support to empower them to take control of vital rural services through asset ownership.
- Recognise and support rural co-operatives that use volunteers as robust and sustainable enterprises.
- Support the preventative health benefits of rural co-operatives and reflect this in the commissioning process.
- Widen asset ownership. It is time for the remaining barriers to community asset ownership in rural communities to be removed. There tend to be fewer public assets in rural communities so asset transfer is not straightforward, but specialist support for rural communities, co-operatives and development trusts looking to do this, can help.

Pubs

In both rural and urban settings, community and co-operative initiatives can help stem the tide of pub closures. During 2009 pub closures were at record levels, at

2,400. It is predicted that some 2,700 pubs are likely to shut down during 2010, so that one pub now closes every three hours, with massive consequences for the lives of local communities. Drawing on evidence from the renewal of community-owned shops in villages and towns across Britain, we are calling on government to confirm its backing for an 'emergency service' for struggling pubs, to help people use the co-operative model as a way of saving pubs and keeping communities alive.

International

Co-operatives and mutuals are the only route to finance and market for many poor farmers.

In terms of a fairer global economy and poverty reduction, there is an opportunity to harness the role of co-operation in international development. Co-operatives and mutuals are the only route to finance and market for many poor farmers and have played an important role in the reconstruction of post-conflict states such as Southern Sudan. They have a proven track record in poverty alleviation and, if properly supported, have the potential to make a more significant contribution in the future. They are not charities, though, and support needs to be delivered with care in order for them to operate as sustainable, independent enterprises serving their members in commercial terms.

On the international stage co-operatives must therefore be treated as part of the private sector and their role in driving growth through bottom up, collective entrepreneurship acknowledged and supported. Business networks, from the CBI to the World Economic Forum, play an important and influential role in public policy but tend to sideline member-owned businesses. In reality, the top 300 global co-operatives alone are responsible for an aggregate turnover of \$1.1 trillion, equivalent to the economy of Spain. In poorer countries, the co-operative model is also used for delivering essential services, such as water in South America and energy in the Philippines and Bangladesh. Government can play a role in ensuring learning from these cases is spread and replicated.

International Year of Co-operatives

The United Nations has declared 2012 to be the International Year of Co-operatives. This is an opportunity for the coalition government to showcase its interest in and commitment to the Big Society. The co-operative sector will take responsibility for the success of this in the UK, but would like to work the government on key aspects. We are proposing that the government forms a committee, with representation from key departments and representation from the co-operative sector, to interface with activity in the UK, across government and internationally in liaison with the UN.

Climate change

Co-operatives have driven innovation in renewable energy, low carbon housing and sustainable local food systems through harnessing the enthusiasm and commitment of people who want to tackle the challenge of climate change. The wider benefits co-operation has brought include developing support for renewables, awareness of the impacts of food production and consumption and tangible ownership of measures to tackle climate change.

These successes have occurred despite tough market and regulatory conditions and will continue to remain important – but niche – examples of positive action on climate change unless government is prepared for a radical rethink of the role of enterprise in this area.

Research suggests that the co-operative model is trusted far more than the private sector for the ongoing management of energy infrastructure. In a period where many households will be expected to make fundamental changes to their energy consumption, the fabric of their homes and the way they travel, we must allow people to own, trust and be part of the decisions that will affect their lives. To deliver a stimulus in the form of Green New Deal, there is an opportunity for co-operative utilities to develop the new infrastructure the UK will need for water affordability, energy security and low-carbon living.

We recommend the following measures to government:

- A wholesale review of energy markets to hand greater power and control over to the users of energy. This has been achieved in countries such as Denmark through the exercise of political will effectively co-ordinated at a national and local level.
- Reform of investment and ownership of energy infrastructure. The energy market is dominated by a few large companies, with very high market concentration at both regional and national levels. There is a need to open up markets to new entrants including co-operatives, perhaps by handing more power to local authorities to plan and implement long term investment in the energy needs of their areas.
- Reviewing opportunities for increasing the efficiency, quality and public buy-in of a national housing retrofit programme. An extensive retrofit of the UK housing stock is likely and the scale of change required, particularly in aesthetic terms, is likely to meet with significant resistance which could delay improvements in the energy efficiency of our housing stock. Government

could learn from the co-operative model by enabling residents to have a say in the aesthetics of retrofitting, to collectively purchase energy efficient goods and share knowledge. At a professional level savings could be accrued by combining the knowledge and skills of contractors and advisors through a co-operative model, which will in addition support the development and maintenance of co-produced quality standards.

Government could learn from the co-operative model by enabling residents to have a say.

- 'De-risking' the planning process, so as to make it more likely that a well conceived community-led development will receive consent, and within the recommended time period. This can best be achieved by encouraging, enabling and resourcing local authorities to produce an evidence-based understanding of the local feasibility and potential for renewable and low-carbon technologies to supply new decentralised development in their area. In addition we call on local government leaders to ensure that planning committees have the requisite skills and knowledge on low carbon development for making informed decisions.
- Encouraging investment in low carbon initiatives. Aside from the positive development of feed in tariffs – which will need to be reviewed for their encouragement of community scale energy generation – government can further support the growth of investment in a low carbon country at a local and national level. We believe that new co-operative models of local saving, building on credit unions, are possible which would work alongside retailers to enable people to purchase affordable, high quality energy efficient goods and micro-generation technology.
- Carry through on the commitment to establish a Green Investment Bank to deliver investment in large-scale infrastructure, and consider the introduction of Green Tax Credits, based on the Dutch model pioneered over many years by co-operative Rabobank and Triodos.
- More transparent reporting. Given the way in which certain business practices, such as oil extraction from tar sands, rapidly accelerate carbon emissions, government could ensure that oil, gas and power companies listed or licensed in the UK are open about their activities by disclosing future 'carbon liabilities' in their accounts.

Food and farming

Food and farming is an example of a sector that contributes at present to climate change and will face very significant challenges in adapting to it. In recent years there has been a surge in interest in food systems that bring together producers and consumers, including models such as community supported agriculture. Aside from the very strong case for sustainably produced local food on

environmental grounds there are also added benefits in terms of health and well being for engaging people more in the way our food is produced.

As one example of this, the Co-operative Group has launched Plan Bee, to reverse the decline in bee populations across the globe. Bees pollinate a third of the food we eat, and this contributes £200 million a year to the UK economy. But, in the UK, around one third of honeybee hives were lost in the winter of 2007/08.

Co-operatives can help government to achieve a radical transformation in food and farming policy.

Co-operatives can help government to achieve a radical transformation in food and farming policy not just by increasing the share of local, sustainable food, but also by increasing the proportion of the pound spent on food that goes back to farmers. The most efficient European agricultural countries are those with a high penetration of agricultural co-operatives. Every sector of the economy needs to move more rapidly to a low-carbon future. For food and farming, such a framework, facilitated by government, should include the goal, in line with the need for European and global agricultural policy reform, to promote low-carbon food systems, to encourage co-operation and to increase the market share of local, sustainable food.

Digital futures

The pace of innovation and the creation of value is on the rise. Technological change creates not just new business opportunities but new models of business. What we see is that many of these are based on networks of co-operation.

Online communities, co-operating informally, date back to the 1970s, including email communities of self-help in fields such as health and education. What is different now is the scale of online collaboration, touching the daily lives of millions of Britons. From editing on Wikipedia, posting reviews of hotels through to participation in communities such as netmums and mumsnet, the idea of co-operation has found new form online.

In policy terms, there has been a welcome opening up, for example, of public data which can then be re-used in creative ways to serve citizens and communities in non-bureaucratic ways that could never have been predicted. Open source software and peer to peer models are helping to build social and commercial innovations. However, at the same time, there are pressures to restrict, or enclose, this creative space. It must be the role of government to ensure that a balance is struck between commercial success for the future and market dominance based on the past.

Open source software and peer to peer models are helping to build social and commercial innovations.

A digital future needs also a close focus on inclusion, to ensure where possible that all citizens can benefit from these new universal services. Rural communities, for example, should be encouraged to take control of digital services by promoting community ownership and implementation of fibre-optic broadband access to rural communities across the UK.

An agenda for co-operative innovation online includes action for government, with a role to:

- Set out what people can share, in terms of positive rights for consumers using peer to peer technologies and not just what they can't.
- Promote the inter-operability of technology, such as common power cables and remote controls, through inclusive standards and protocols for innovation.
- Encourage collaborative solutions to challenges such as spam and identity management and bring competition policy to bear far more quickly to ensure that there is open access to the emerging 'tethered' platforms of bundled services, equipment or social networking platforms.
- Release public data in raw form for re-use by citizens at marginal cost, for example by the Ordnance Survey, rather than restrict public access through the model of government trading funds.
- Bring forward a comprehensive review of Intellectual Policy, in order to balance the rights of producers and consumers.
- Be a champion for open source options where they work well and to be an active partner rather than a competitor to the fast-growing consumer communities online.

Co-operatives UK

Co-operatives UK works to promote, develop and unite co-operative enterprises. It has a unique role as a trade association for co-operatives and its campaigns for co-operation, such as Co-operatives Fortnight, bring together all those with a passion and interest in co-operative action.

Any organisation supportive of co-operation and mutuality can join and there are many opportunities online for individuals to connect to the latest co-operative news, innovations and campaigns. All members benefit from specialist services and the chance to network with other co-operatives.

[**www.uk.coop**](http://www.uk.coop)

Co-operatives provide a trusted alternative based on self-help and working together. This document sets out proposals for a framework within which co-operatives can flourish. It focuses on five key areas where government can help Britain benefit from more co-operation: economic renewal, social innovation, a fairer society, climate change and digital futures.



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Published 2010



Paper Context FSC from paperback.coop
Design by Calverts • www.calverts.coop