

Co-operatives Unleashed

from the grassroots

July 2020



About CCIN and the Policy Labs

The Co-operative Councils' Innovation Network (CCIN) is a non-party political active hub, founded in 2012 to achieve co-operative policy development, innovation and advocacy which is:

- Action-focused: a vehicle for helping councils translate co-operative policy and principles into practice.
- Membership-based: funded by modest membership subscriptions from its member councils.
- Open to all UK councils: members share the belief that working co-operatively with communities holds the key to tackling today's challenges.
- Part of the local government family: the network is a Special Interest Group registered with the Local Government Association (LGA) where we work to promote innovation in local government.

Established in 2016, the Policy Lab programme is an opportunity for any CCIN Member to present an idea and receive funding for collaboration with other CCIN members to fund co-operative solutions to the challenges facing local government.

To find out more about joining the CCIN contact: hello@councils.coop

CCIN Accountable Body: Oldham Council, Oldham Civic Centre, West Street, Oldham OL1 1UL T: 0161 770 5691

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Anna Peachey
Economy, Partnerships and Regeneration Manager
Plymouth City Council

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Preface

Extraordinary Times at the time of publishing

Like many other pieces of work the publication of this document has been delayed by the pandemic. In March we were gearing up for the launch event in Parliament; sadly this had to be cancelled because lockdown had happened.

Around the country local councils are now preparing detailed plans for emerging from the impact of COVID-19. One of the important areas that they are considering is how to restart the local economy and minimise the effect of recession on their local communities.

We have therefore decided to change the way in which we publish this document. We have been asked to share our learning to date with Councillors, council officers and co-operators in order that they can work to strengthen and build the co-operative economy as part of economic recovery. We are very happy to do so.

So this is the first publication of a series and we hope that you find it helpful. But we would ask something of you:

- If you are from a council that has helped support and develop your local co-operative economy and we have not included the work you have done in this document, please do get in touch and let us know in order that we can rectify this.
- Similarly if you are from a co-operative or a co-operative development agency and aware of work that local government has done to support your local development we would love to know about it.
- As a result of COVID-19 you might have already changed your approach to co-operative development in your area - it would be great if we were able to include case studies about this.

There are a number of things that we would be particularly interested in hearing about:

- Has adversity due to COVID-19 and growing understanding of climate emergency increased local interest in co-operative business solutions and if so how is your local authority supporting this?
- With the pandemic leading to businesses sadly closing with loss of jobs what are councils and other parts of local government doing to support worker co-operatives to save them or fill the gaps?

We will now be celebrating the launch of this publication along with the supplementary COVID 19 chapter and accompanying toolkit, in the autumn. Please let us have any additional contributions and thoughts by the end of August 2020 - you can do so by emailing either anna.peachey@plymouth.gov.uk or chris.penberthy@plymouth.gov.uk

Foreword



The Co-operative Councils' Innovation Network wants to give people more control over the places they live and the services they use by working with our local residents and not doing to them. We seek to do this by applying the values and principles of the International Co-operative Alliance to the way we work.

In recent years we have seen people losing trust in national and global structures over which they have no control. There is a definite feeling that people want more of a stake in the way businesses are run and how profits are used. The impacts of austerity over the past decade have left many holes in services people received from businesses, charities and statutory organisations; we are increasingly seeing the development of co-operatives and community owned businesses beginning to fill these gaps.

There have been a number of reports into how to strengthen and grow the co-operative movement in the UK and we have welcomed these. We have read them carefully to see how we, as a group of local councils, can assist in the process. Sadly, with the national focus of the reports to date the role of local councils has been largely overlooked.

For us, a thriving local co-operative economy should sit alongside an effective Co-operative Council and together work to create co-operative places. As we questioned what more we could do to support this it became clear that we needed to understand current practice; learn from the best practice; and provide guidance to Councils wishing to do more.

We hope that the work that Plymouth City Council has led on will add a new dimension to the national debate and at the same time support more councils to do more to support local co-operative development. Most of the recommendations are practical and deliverable within current legislation; whilst improvements to the policy frameworks are also made.

We know that this report is a snapshot in time; please let us know what you think and what additional information you have in order that we can continue adding to everyone's learning and together work to substantially grow the size of our local and national co-operative economy.

Councillor Sharon Taylor, OBE

Leader, Stevenage Borough Council
Chair, CCIN

Councillor Chris Penberthy

Cabinet Member for Housing and Co-operative
Development, Plymouth City Council
Chair of Values and Principles Board, CCIN



Executive Summary

Introduction

Co-operatives Unleashed was written for the Co-operative Party by Lawrence, Pendleton and Mahmoud for the New Economics Foundation and published in 2018. The report featured a headline recommendation to double the size of the co-operative economy by 2030. With just over 7000 co-operatives currently trading in the UK, that would be an average of 700 per year or 60 per year in each of the 12 regions and devolved territories of the United Kingdom.

The CCIN recognised that the role of councils in delivering that growth had not been researched and Plymouth City Council (PCC) was awarded funding through CCIN's Policy Lab programme to identify how growth of the co-operative sector could be facilitated from the grassroots. With the Coronavirus pandemic impacting the global economy in the first quarter of the 2020 calendar year, PCC also recognised the importance of a co-operative economy that is robust and resilient to change.

The CCIN is a non-party political active hub, founded in 2012 to achieve co-operative policy development, innovation and advocacy. Established in 2016, the Policy Lab process enables CCIN Members to find co-operative solutions to the challenges facing local government.

We have had input from over 25 local authorities, six Co-operative Development Bodies, several social investors, over 20 co-operatives, and have cited 16 organisations as case studies.

Co-operatives are successful businesses (ranging from multi-billion pound companies to small community enterprises), contributing £38.2 billion to the UK economy. A co-operative's governance structure gives control to its members – who are regular people, including; customers, employees and local residents. Those members control the business and benefit from their membership: an employee will have a say in how their organisation is run; customers may influence the businesses they use and local residents can support vital services on which they rely.

This report sets out practical ways for councils to encourage and enable the start-up and growth of businesses that adhere to Co-operative Values and Principles which enable any business to be fairer, more democratic and accountable to their members and their communities.

Policy Environment

The current policy environment is highly conducive for growth in community-led service delivery and co-operative working. Since the 2011 Localism Act, there have been increasing enabling mechanisms for communities to take on assets and services. For councils, the policy drivers are also increasingly evident because of financial pressures and recognition of the value of wide stakeholder participation in delivering contracts and services. Case studies are provided as examples.

Co-operatives told us that they want to be able to demonstrate social value when they tender and quote to councils. The National Social Value Portal is discussed as a relatively new mechanism for doing this that has gained traction across councils and businesses.

Inclusive growth is also discussed as a policy driver for enabling wide stakeholder participation in decision making, service delivery and social value activity.

Delivery

Start up and growth of co-operatives is already happening so this section starts with a discussion of the business support needs of co-operatives; their similarities with other businesses, their differences and where they get support.

Subsequently, a discussion about how council intervention can support sector growth looks at strategy setting, working with external support services and internal initiatives such as identifying key staff, understanding their roles in terms of co-operative support, training, leading local awareness raising and providing financial support.

Conclusions and Recommendations

Recent reports about growing the co-operative or employee-owned economy by NEF, DEMOS, Co-operatives UK and the Department for Business Enterprise, Innovation and Skills have made several recommendations, many of which align with the recommendations made in this report:

Summary of recommendations from this study:

Recommendation one - Championing Co-operative Values and Principles

A conversation about maximising each Co-operative Value and Principle is important and should be explicitly required in the development of businesses where the council's support is material to the business start-up.

Recommendation two - Recognise the concept of a "Co-operatively run business"

The concept of a 'co-operatively run business' should be widely adopted for businesses where the application of the co-operative principles is maximised but council control is maintained.

Recommendation three - Publish a corporate commitment to support sustainable growth of the co-operative sector

Councils should make a corporate commitment, such as through their overarching strategy, the annual report or corporate performance monitoring, to supporting co-operative sector solutions wherever possible, harnessing the energy of local communities and ensuring that the benefits of local economic development are retained for the benefit of local people.

Recommendation four - State a preference for companies that are initiated by the council to be co-operatives

Where councils set up or spin out companies, they should optimise the application of co-operative principles.

Recommendation five - Explore development of a state aid exemption

Where appropriate, explicit support should be given to State Aid exemption for community owned businesses that are based in deprived communities.

Recommendation six - Recognise skills for cross-sector working

The knowledge and skills that are required to work across multiple departments and with external partners, are acknowledged, supported and written into job descriptions of officers who are tasked with applying the Co-operative Values and Principles in their work.

Recommendation seven - Implement a co-operative awareness training programme

Appropriate training should be commissioned and subsequent e-training programmes rolled out to officers and Members who are tasked with applying the Co-operative Values and Principles in their work. This should be extended to other Anchor Institutions in Community Wealth Building Programmes.

Recommendation eight - Implement a council Co-operative Ambassador Programme

Councils should implement a Co-operative Ambassador programme with a peer network to enable sharing of learning, better practice and emerging practice.

Recommendation nine - Ensure that quality business advice is available locally from generic and specialist advisors

Councils should act collectively, and should call on their representative bodies such as the LGA, to ensure that local business advisors have the skills and knowledge to support employee-owned and co-operative businesses. This should include awareness and understanding amongst generic advisors, particularly those that are publically funded. It is also important to identify and support co-operative development specialist advisors and to ensure that they are networked with generic advisors.

Introduction

Co-operatives are successful businesses, ranging from multi-billion pound companies to small community enterprises that contribute £38.2 billion to the UK economy. A co-operative's governance structure gives control to its members, who are regular people, including, customers, employees and local residents. Members control the business and benefit from their membership. For example, an employee will have a say in how their organisation is run, while customers may influence the businesses they use and local residents can support vital services.

The collaborative and innovative nature of the co-operative model works well in a variety of economic environments.. As a result, the Co-op Economy 2020 report shows that the sector has grown in terms of number (7,215 in 2019), employment and membership. Turnover has increased and resilience amongst co-operatives is strong, with 76% of co-operative start-ups surviving beyond five years, compared to just 42% of private companies.

A decline in independent working men's clubs and the merging of many credit unions has resulted in the net rate of co-operative growth being only marginally positive. More significant sector growth needs to be realised to achieve a true transformation of the economy for the better.



The Rochdale Pioneers created the first successful retail co-operative on Rochdale's Toad Lane in 1844. Run by customer members, it was set up during a time of chronic unemployment and social inequality. Since 1601, charitable rules had ensured that the interests of philanthropists, funders and, later, the public sector, took priority as services were delivered to, but not with the community. This was changed by the introduction of the Co-operative Values and Principles in the 1840s, which have underpinned a global movement embedded in democracy and fairness ever since. In 2013 the ICA published Guidance Notes on interpreting the Co-operative Principles for application in the 21st Century.

This report sets out practical ways for councils to encourage and enable the start-up and growth of businesses that adhere to Co-operative Values and Principles whilst also demonstrating how appropriate council support can ensure improved resilience across the sector. While *Co-operatives Unleashed*, written by the New Economics Foundation (NEF) for the Co-operative Party, and further reports by Co-operatives UK and DEMOS, have recommended changes in the national context to support co-operative development, here we ask, "How can strategic council participation support the doubling of the co-operative economy before the end of the next parliament?"

We have undertaken a wide-ranging consultation to identify the views and practical experiences of councils, co-operatives and influencers and this report discusses the resulting themes underpinned with summarised case studies. We are planning an accompanying toolkit to provide examples, through more detailed case studies, personal profiles and flowcharts that can be used to inform and guide delivery.

This report presents the Co-operative Principles as a tool to be applied to any business that makes it fairer, more democratic and accountable to its members and its community.

Co-operatives Unleashed

Co-operatives Unleashed was commissioned by the Co-operative Party in 2017. The party was established by co-operative societies and works to provide a political voice for the sector, making the case for co-operative approaches in the UK economy and wider society.

The report cited wide-ranging evidence that productivity in co-operatives is at least as high, if not higher, than conventional firms. It found that this was due primarily to improved motivation from a sense of collective ownership and profit-sharing, and more effective internal coordination due to higher levels of trust and the better use of employee know-how.

The core goal of the report is to examine how to double the co-operative sector's economy. But beyond that, by the early to mid-2030s, we should aim for a cooperative economy where half the population enjoy the benefits of membership, employees of cooperatives represent 5% or more of the workforce, and turnover is equivalent to 10% of GDP.





Myth Busting about Growing the Co-operative Economy

Co-operatives are a niche business model

Within the wider business or professional services sectors, applying the Co-operative Principles to a business model can be seen as niche. However, the wider family of business models that apply some of the Co-operative Principles such as 'employee ownership', 'multi-stakeholder ownership' and 'community-led businesses' are increasingly mainstream, with wide support politically and from investors and support providers.

Businesses themselves use a multitude of terms, as shown in the SME business survey. 9% of SMEs have alternative legal statuses including Industrial and Provident Societies (IPS), Charitable Incorporated Organisations (CIOs), Community Benefit Societies (CBS), Community Interest Companies (CICs) or describe themselves as trusts, friendly societies, co-operatives, royal charter companies or unincorporated associations. By sector, these alternative legal statuses were most common in health (47%), other services (42%), arts and entertainment (41%) and education (39%).

The scope to grow the co-op sector is limited

One of the fastest growth areas for co-operatives is from transfer of existing businesses to employee owned models. There has been a surge of interest as a result of Aardman Animations, Riverford Organic and Richer Sounds doing this recently. 120,000 businesses are family owned - most are in the primary sector (i.e. farming) (93%), retail and wholesale (84%), transport and construction (both 83%) and accommodation and food service (78%). If just 6% of these transitioned to an employee ownership or co-operative model, this would double the total number of co-operatives.

Eight out of ten FTSE 100 companies have employee share ownership and it is estimated that over 2 million employees in the UK own shares in their employer - almost 8%. Increasing employee share ownership so that the employees own over 50%, is another way to grow the sector.

Council controlled businesses can't be co-operatives

As our case studies show, for practical and legal reasons, overall control sometimes rests with the council. While at least 50.5% control by members is required to meet Co-operatives UK Identification Policy, businesses described in this report are sometimes controlled by a council.

Council control can be necessary for several reasons:

- This is a requirement for a 'Teckal exemption' which enables a council to award contracts without the business having to tender.
- Asset ownership can be demonstrably retained by a council.
- Staff can be more easily shared between a council and the business.
- Regulatory restrictions, such as safeguarding, limit the control that can be given to individuals.

Where a business maximises the Co-operative Principles as a tool for democracy, fairness and accountability but doesn't comply with the Co-operatives ID Policy, we refer to it as a 'co-operatively run business'.

Co-operatives balance the interests of multiple stakeholders

It can sometimes be necessary to reconcile the inherent conflict of interest of different stakeholders. Workers, for example, may be assumed to want the highest wages for their hours worked, consumers will be looking for lower prices and investors who will want to maximise returns on their investments (either for themselves or for the community).

Multi-stakeholder businesses are common among co-operatives and the share of control can be split between organisations and groups, with 'classes' of membership defined in the rules or Articles in relation to member eligibility, the make-up of the Board, voting rights or classes of shares. Adhering to the Co-operative Principles means that within each class, members have one vote, regardless of the number of shares they hold or the size of their salary or investment. Stakeholder groups such as a community, the employees, the council, other public sector organisations and investors are common. In practice, the different membership classes can carry different weightings, so the extent to which individuals from a community control the business varies, depending on type of membership.

Credit unions are co-operatives

A credit union is "a financial co-operative which provides savings, loans and a range of services to its members; it is owned and controlled by the members. Credit Unions are owned by the people who use their services and not by external shareholders or investors. So emphasis is always on providing the best service to members rather than maximising profits".

The co-operative movement evolved into the idea of pooling member money to offer credit to individuals. The first official credit unions were founded in Germany in 1849 to save poor urban workers from resorting to loan sharks for financial help. The World Council of Credit Unions (WOCCU) was founded in 1970 to serve the ever growing international community of credit unions. Today, the WOCCU has member credit unions in 97 countries, where it helps support 46,000 local credit unions.

There are currently no co-operative banks in the UK. The Co-op bank was owned by a retail society that was owned by its members but became a plc after a financial rescue in 2013-14. The Co-operative and Community Benefit Society Act (2014) allowed co-operatives to hold a deposit-taking licence for the first time, clearing the way for full service high street retail banks to be owned by their customers. In response, several community banks have started and the Community Savings Bank Association was established in 2015 by long-serving RSA Fellow, James Moore, and is in the process of establishing regional co-operative banks across the country, many of whom are supported by their local councils.

Co-operatives are social enterprises

Social enterprises are businesses that trade and use their profits for social purposes rather than being driven by the need to maximise profit for shareholders and owners. Most co-operatives meet these criteria.

The co-operative movement is seen as the pioneer of social enterprise with its roots in the Rochdale Pioneer's co-operative.



Section 1: Policy Context

Despite the efforts of governments over the last few decades, many decisions in the UK remain very centralised. The power balance between Westminster, local government and communities has been subject to much debate. The Localism Act 2011 addressed this to some extent, through the Community Right to Challenge, Community Right to Bid and Community Right to Build, requiring councils to maintain lists of community assets. The Cities and Local Government Devolution Act 2016 introduced directly elected mayors to combined local authorities in England and Wales and devolved housing, transport, planning and policing powers to them.

There is continuing debate over the local control of decision making and the allocation of resources to enable thriving communities. Austerity has been characterised by sharpening economic and social inequalities that have impacted on initiatives in many communities, with many citizens experiencing its effects. Voting analysis of recent elections has highlighted how politics and policy making impact on the everyday lives of people and their communities - social, economic, demographic and geographic analysis have all mentioned many people feeling 'left behind'.

Coupled with this, financial challenges faced by councils have increased as a result of ongoing cuts to funding for local services. Rising demand for services, an ageing population, increasing costs of care and a greater demand for more complex care packages put additional strain on budgets.

These pressures have necessitated changes to the way councils deliver services, as they work to find more innovative ways to deliver high quality services with reduced finances while continuing to protect the most vulnerable in their communities. There is a welcome and growing cultural shift towards enabling and supporting communities to be equal partners in designing and commissioning services.

The extract from the Conservative Manifesto 2019 above shows how community ownership is seen as a good way of addressing revitalisation of local towns and cities. The values and principles of a co-operative model of service delivery lend themselves well to this, working in partnership with communities, empowering and supporting community capacity to grow.

During this study several policy drivers were identified where councils pursued co-operative business models as solutions to service delivery. These are illustrated in the case studies which follow.

The Conservative Party has made a commitment to revitalise towns and cities through a number of initiatives that "trust people and communities to make the decisions that are right for them." One such initiative is the Community Ownership Pledge.

"We will establish a £150 million Community Ownership Fund to encourage local takeovers of civic organisations or community assets that are under threat – local football clubs, but also pubs or post offices. We will set up a fan-led review of football governance, which will include consideration of the Owners and Directors Test, and will work with fans and clubs towards introducing safe standing. And we will help communities that want to create 'pocket parks' and regenerate derelict areas."

Procurement gaps

Community wealth building includes the principle of addressing weaknesses in the supply chains of anchor institutions, with worker co-operatives that are based in deprived neighbourhoods.

Evergreen Cooperative Corporation

In Cleveland, Ohio, the Evergreen Cooperative Corporation includes energy services, a salad producer and a laundry. It was founded through a partnership of the Cleveland Foundation, the Cleveland Clinic, University Hospitals, Case Western Reserve University, and the municipal government.



Inconsistency of income streams

In a group or community, inequality is overcome by pooling resources to buy or access goods or services.



CATER^{ed}

Following the Jamie Oliver initiative to raise the standard of school dinners, it became apparent that the differences in funding between schools in Plymouth made it very difficult to provide the same standard of nutrition to all pupils across the city. As a result, Plymouth City Council led the development of **CATER^{ed}** which is 51% owned by the Council and 49% owned by a consortium of over 60 schools. Their motto is "every child, every time"

Community asset management

The assets most likely to be taken over by local communities are community centres (56% of local authorities surveyed had transferred management), public green spaces (49%), sports facilities (35%) and libraries (28%).

Newcastle Community Asset Trust

Blakelaw Centre has been successfully transferred to the 'Newcastle Communities Asset Trust' (NCAT).

The centre is now a thriving community hub with viable commercial operations running to generate income. At Blakelaw, a Community Post Office helps generate income as well as providing a valuable local service which otherwise would have closed. The Trust are in the process of transferring a further two community buildings in Newcastle.

What went well with the transfer?

- Financial support from City Council and Your Homes Newcastle to help with the post office set up costs.
- Good support from elected Members who provided ward funding to make the transfer possible.
- Good relationships with the council officers and knowing who to contact.
- Enthusiasm to progress the transfers on both sides.

Council service creates a surplus

Non-statutory services run by councils can become profitable as markets and technology change. Under s.93 of the Local Government Act 2003, charging powers changed and the council could either deliver at cost, or spin out the service as a new company. The Localism Act 2011 expanded on this by requiring that profitable activity be conducted through a separately constituted company.



Oldham Community Leisure

Several leisure trusts were set up around the time of the LGA 2003, including Oldham Community Leisure, which was established in 2002. Members can include service users and employees.

Wicked problems

Many of the challenges addressed by councils have complex interdependencies, where the effort to solve one aspect of a problem may reveal or create other problems, making it helpful for multiple stakeholders to work together in a democratic structure.

Complex Needs Alliance Contract

Although not a separate legal entity, Plymouth City Council's £35m Complex Needs Alliance Contract has attracted national attention for the way that it brings together an alliance of seven services and three commissioners, including the council, in a one-member-one-vote agreement covering housing and health services.

Increased community demand

Individuals or organisations collaborate to access a service, asset or goods where demand across the community makes the service viable.



Oldham Community Power

Oldham Community Power is an incorporated Community Benefit Society (CBS) that has been created to install community-owned renewable energy infrastructure on public buildings in Oldham. Since its incorporation in February 2016, Oldham Community Power has successfully installed 220 kW of solar PV on five schools and one community building in the town. Electricity generated is sold directly to sites at discounted rates, and any surplus is exported to the national grid.

Spin out of a public service mutual

Where staff are keen to deliver their public services and grow their positive social impact. Mutuals have a significant degree of employee ownership, influence or control in the way the organisation is run.

PossAbilities, Rochdale

Formerly the Adult Social Care Provider within Rochdale MBC, it has a turnover of £12m, 600 employees and has been rated 'Outstanding' by the Care Quality Commission (CQC). A Staff Director is elected by their peers and has a seat on the Board.

Short-term funding gap

Where a business is likely to be viable in the long term but funding is required at the start, the council can support with loans, grants and the purchase of shares. This helps to overcome difficulties of persuading high street lenders of viability and track record. It can also be used to encourage the community to invest.

Nudge Community Builders

Nudge is a CBS that was set up in 2017 by Stonehouse residents to bring buildings back into use. In 2018, Nudge received money from Plymouth City Council starting with an £80,000 bridging loan. Then, through the Social Enterprise Investment Fund (SEIF), a £60,000 loan, £20,000 capital grant and £10,000 revenue grant were provided for Nudge to prepare for their first community share offer and enable the renovation costs and revenue to scale quickly. Nudge raised a total of £206,750 in community shares including £20,000 from the council's award-winning Crowdfund page which uses Community Investment Levy to support community projects. This bought a derelict public house for conversion to a café / community market space and flats designed for single parents and their visiting children. Nudge has grown out of local people wanting to make things happen in their area.



Growing co-operatives – relocation

Co-operatives grow in several ways – including turnover, employment, membership and impact.



Glasgow Credit Unions

Glasgow City Council's Co-operative Development Unit developed from a programme of support for the City's Credit Unions. 33 Credit Unions have over 160,000 members and over £250m in assets. Support from the Council helped 21 to relocate.

Growing co-operatives – expansion

The role of economic development service in councils is to grow the local economy – bringing more and better jobs, and prosperity to the area. Co-operatives can add value by retaining a higher proportion of that growth in the local economy, through wages, profit distribution and support for community initiatives.

Bala Sport, Glasgow

One of the first co-operatives supported by Glasgow City Council was working with FairTrade manufacturers in Sialkot, Pakistan (where around 70% of the world's hand-stitched balls are made). Bala Sport was established 2014 with £20,000 from the Council's Co-operative Glasgow Business Development Fund.





Social Value in Procurement and Commissioning

Procurement and commissioning are a recurring theme in consultations about support for social enterprises and co-operatives. There is an assumption that social purpose and co-operatively run businesses should be explicitly sought for delivery of council and government contracts. However, none of the participants in our consultation were aware of co-operatives that had won contracts as a result of social value activities. Procurement and commissioning officers told us that specifications tend to seek outcomes that will be delivered through the contract, rather than looking at the governance structure or company level initiatives.

The Public Services (Social Value) Act 2012 (SVA) received royal ascent in March of 2012 before coming into force on 31 January 2013. The SVA requires councils, at the pre-procurement stage, to be mindful of the economic, social and environmental benefits of procurement. The Social Value Portal (SVP) is an online tool which enables organisations to measure their social value in accordance with the SVA's principles. The tool was originally commissioned by the Sustainable Development Unit (SDU) to develop a social value calculator for social and health care providers based on the national Themes, Outcomes and Measures (TOMs) Framework.

The SVA has since become a key feature amongst councils, government and large companies as a means of adding social value through their supply chain. By demonstrating social impact in this way, co-operatives can benchmark against their competitors and be more successful when bidding for contracts.

The TOMs themes address access to employment opportunities, growth of local businesses, empowering citizens, protecting the environment and promoting innovation, all of which align with the Co-operative Principles:

- Education for members.
- One member one vote.
- Co-operation among co-operatives.
- Concern for communities.

So, while the co-operative sector tends to prioritise its difference in terms of its democracy and the financial participation of its Members, the Social Value Portal doesn't currently include outcomes and measures for these. However, this emerging process could be an opportunity for the co-operative sector to demonstrate its advantage in quotes and tenders to councils.

Inclusive Growth

In many ways, the issues associated with inclusive growth overlap with the social value portal themes and reflect the Co-operative Values and Principles. At the time of finalising this report, the LGA is gathering evidence about councils inclusive growth initiatives and is expected to add further insight into the ideas discussed here.

Since the turn of the 20th century, it has been increasingly recognised that wages have not kept pace with economic growth. So economic growth is not benefitting ordinary people as much as it could. This recognition is based on a global trend that has emerged since the late 1980s.

In its report, 'Causes and Consequences of Income Inequality', the International Monetary Fund analysed academic research from around the world. The report concluded that income distribution matters for growth. It states that there is no one-size-fits-all approach but lists several issues:

- Technological progress and the resulting rise in the skill premium (positives for growth and productivity).
- The decline of some labour market institutions.
- Globalisation has played a smaller but reinforcing role.
- Financial inclusion.
- Making tax systems more progressive.
- Employment informality.
- Raising average living standards.

Along with other local employers, Plymouth City Council has been participating in a flagship initiative of its growth board. This will see the development of a business charter for inclusive growth that will include specific pledges designed to align with the Social Value Portal. The aim is to ensure that as many local businesses as possible work for the good of Plymouth as well as for their own profit. This will additionally mean that those businesses will be at an advantage when they tender for clients using the Social Value Portal, including the council, because they will already be measuring and evidencing their activities in the required way.

In Scotland, national economic strategy is set by Scottish Enterprise and has a clear emphasis on inclusive growth. It talks about making inclusive growth requirements a condition of grants. This includes one of the Board's Policy Missions: "Business Models and Workplace Innovation; harnessing the full potential of progressive business models, workplace innovation and fair work to enhance productivity, equality, wellbeing and sustainability".



Section 2: Delivery

This section discusses how councils can understand the support needs of co-operatives, set a strategy for supporting growth and resilience of the co-operative sector and how they can lead or enable its delivery. The section is split into two. First, a discussion of the business support needs of co-operatives, their similarities with other businesses, their differences and where they get support. Secondly, a discussion on how council intervention can support sector growth and recovery. This looks at strategy setting, working with external support services and internal initiatives such as identifying key staff, understanding their roles in terms of co-operative support, training, leading local awareness raising and providing financial support.

Support Needs of Co-operatives

Co-operatively run businesses are principally commercial businesses like any other. In trying to understand where councils fit within the wider business support network for co-operatives, we found little information to map the different agencies and their interactions. We have therefore attempted to define the similarities and differences between generic business support and specialist co-operative support and to identify where that support can be found, either within the council or externally, and how councils can enable and facilitate.

Similarities in business support between co-operatives and other business models

Co-operatives are similar to other businesses in their support needs, as described in the government's SME Business Survey. Once a business is established, it is likely to interact with support providers in a very similar way, regardless of being a co-operative. However, while more generic business support is important to a co-operative's ongoing development, the organisation must still have access to specialist support, especially once the founding members have moved on from their roles in the business. The generic information is discussed here as background, to inform council approaches to supporting the sector.

Like all businesses, co-operatives tend to go through life stages - pre start up, formation, maintenance, growth, decline and cease trading. Therefore, during transitions from one life stage to another, they can require support as they address issues for the first time. These life stages can also apply to particular products and services within the maintenance and growth stages of the business. It can be useful to understand the points at which businesses seek information or support because interventions are very different at each stage. Government research shows four stages of the business change cycle:

1. Realisation that a change is needed.
2. Assessment of the costs, quality and value of change, and of the business support available to help identify solutions.
3. Navigation of the business support environment to find advice, or new services and products, to deliver the desired change.
4. Embedding the change in the business to realise the benefits, which may require strong leadership and or training of staff.

Differences in business support between co-operatives and other models

Enabling democratic control of a business sounds straightforward. One member, one vote is a relatively easy concept to understand. However, in practice, the legislation and regulation that a business operates within, and the financial returns required by investors, all influence how this is delivered. This is what makes specialist technical advice so important.

In 2018, the SME Business Survey found that support can be divided into strategic advice and information.

- **Strategic Advice** is most likely to be sought for help with growth (40%) and is also sought for business efficiency or productivity (18%), marketing (17% up eight percentage points on 2017), financial advice for the general running of the business (16%), legal issues (13%), and where to get finance (up four percentage points) and tax or national insurance (11% each).
- **Information** was mainly sought on financial matters for the general running of the business (17%), on regulations (15%), employment law (14%), legal issues (14%) tax or national insurance matters and business growth (both 12%).

Face-to-face contact is most used – 70% for strategic advice and 64% for information, although this drops significantly to telephone contact for micro-sized businesses.

All businesses exist within a specialist regulatory framework that is defined by the sector and business model. For example, a crèche that is set up as a Company Limited by Guarantee with Community Interest Company status and co-operative governance will be subject to the external or legislative regulations of crèches, Limited Companies and CICs, as well as the internal governance requirements of co-operatives. Common external regulators are the Charity Commission, Community Interest Company regulator, Care Quality Commission, Ofsted, Companies House and the Financial Conduct Authority.

Social Investors often impose governance requirements that ensure community voice and involvement, but also protection of that social model and purpose through charity or CIC registration.

This, and the involvement of multiple stakeholders requires time to build the required relationships and trust. Councils can help with funding and project management to ensure that specialists are available in community development, legal structures, communications, human resources and business planning.

Sources of business support

Business support is a well-researched and refined service but we found that government programmes, particularly local growth hubs, are unlikely to provide specialist support for businesses that apply the Co-operative Principles. Economic development officers reported that there was little understanding of co-operative models amongst growth hub business advisors. Understanding where generic business support can be used and where specialist advice is required is one of the challenges to growing the number, size and impact of co-operatively run businesses.

Businesses get their support from a range of sources. The larger the business, the wider their support network. Generally, support providers fall into three categories - informal (e.g. friends and family), formal (mentors, professional advisors, HMRC) and paid for (accountants, solicitors).

In 2018, the Government's SME Business Survey found that:

- On average 26% of SMEs are likely to get external support, although that rises for those with 10 to 49 employees and is almost 40% for employers with 50 to 249 staff.
- 5% of respondents sought strategic advice from their local authority and only 3% sought information.
- Awareness of growth hubs in 2018 was 24%. Only 5% had used a growth hub or Local Enterprise Partnership (LEP).

Working with Generic Business Support Services

Generic business support services are managed differently in England, Scotland, Wales and Northern Ireland. Some are directly controlled by councils, some are indirectly influenced.

The network of 38 growth hubs in England are local public / private sector partnerships led by the LEPs. They join up national and local business support so it is easy for businesses to find the help they need. Growth hubs work in different ways but generally employ an Information, Diagnosis and Brokerage (IDB) model to ensure that businesses find the best support for their needs.

The growth hubs are commissioned through LEPs, sometimes with intelligence or accountable body services from a council, and there will always be council representatives on the LEP Board. External organisations can support this function by:

- Identifying and co-creating materials with growth hubs for use by them and other business support providers.
- Creating webinars for advisers to develop their knowledge.
- Facilitating an online forum for businesses and advisers.
- Sharing and providing localised data.

In Scotland, councils are responsible for the Business Gateway. Enterprise Scotland, which is the national economic development agency, is committed to integrating business support into this one gateway. On its website, the business development and advice page has four subheadings – scale your business, work with other companies, succession planning and employee ownership. The latter three all directly refer to co-operatives or co-operative business models.

Family Business Succession and Employee Share Schemes

Two-thirds of UK businesses (estimated at 4.8m) are family owned, of which 16,000 are medium or large.

The Nuttall review of Employee Ownership was published in 2012. Employee Ownership Trusts were introduced in the Finance Act 2014, so are relatively new.

During the research for this project, we heard of existing businesses that had developed into co-operatives either through a transition from a partnership, from family ownership to manager or employee ownership, or through the growth of Employee Share Schemes. Well known examples include Aardman Animations, Richer Sounds and Riverford Organic Foods.

Although we aren't aware of council intervention in any of these, they are supported by national government schemes and a call for more of them is almost ubiquitous in policy recommendations, from party manifestos to think tanks and academics.



Northern Ireland

Co-operative Alternatives is the only body in Northern Ireland entirely devoted to developing successful co-operatives and community benefit societies. It offers a high quality range of advice on legal, financial, business and democratic governance.

Working with Specialist Business Support Services

There are support organisations for co-operatives and many of them are sector specific. Co-operatives in finance, housing, community energy, rural businesses (including community shops), employee ownership and land trusts all have specialist support organisations.



Case Study - The Hive

The Hive is a partnership between the Co-operative Bank and Co-operatives UK, delivering services through local specialist providers who have been selected because of their skills experience and knowledge of co-operatives. It is a funded service that subsidises expert support accessible by start-up or existing co-operatives. Areas of interest include:

- Business Planning – from testing your business idea to writing a business plan.
- Setting up a co-operative– navigating the legal processes in registering your co-operative business.
- Growth – advice on governance to help grow and develop your co-operative.
- Buyouts and conversions – how a non-co-operative business could become a co-operative.

For organisations that aren't eligible for funded support from the Hive, information about the Hive's providers is available under three headings along with the regions that they cover:

- Pathway 1 - for start-up groups and recently incorporated co-operatives.
- Pathway 2 - for existing co-operatives looking to grow and develop.
- Pathway 3 - for businesses looking to convert to co-operative or community ownership.

Specialist support is available in accountancy and legal aspects of the business. Start up and growth tends to be facilitated by organisations now known as Co-operative Development Bodies (CDBs), originally known as Co-operative Development Agencies (CDAs).

CDBs provide business support services and understand the unique needs of co-operative enterprise. CDBs work in all business sectors and can signpost to national or local bodies and vice versa, to help businesses grow.

The number of CDBs is diminishing, with just 18 listed on The Hive's list of providers. In the 1980s, there were 140 CDAs, many of which worked in partnership with, and were funded by, local authorities and which had a strong focus on worker co-operatives. Today there are just five CDAs, and these have largely been replaced by independent CDBs.

Co-operatives UK provides the secretariat for the CDB Forum, a member group for CDBs, while also managing a number of nationwide co-operative support programmes which are delivered by established pools of providers. Co-operatives UK has a directory available to locate CDAs and CDBs and other co-operative business for advice and support.

Co-operative Development Scotland is 'an arm of Scotland's enterprise agencies' and is separate from the Business Gateway. It supports growth through 'collaborative and employee ownership models'.

Public Service Mutuals

The Department for Digital, Culture, Media & Sport and Office for Civil Society provide a Public Mutuals Support service for spin-outs from the public sector to social enterprises that are significantly owned or controlled by their staff. Toolkits and resources have been developed since it started in 2014 and are designed to support the organisation through the process of gaining support for the spin out, setting up the new business and ongoing growth. Regular 'State of the Sector' reports show the positive impact of this initiative and case studies. Productivity, staff engagement, diversity, innovation and quality are all found to be significantly better than in the public sector generally.



How Council Intervention can Support Sector Growth

The strategic approaches to co-operative sector development that we found in councils, were either strategic regeneration programmes that included co-operative models as a key delivery mechanism, or they took a view of the current size, strengths and opportunities for their co-operative sector and planned targeted interventions to build on those areas. One thing that they have in common is political leadership. Council intervention is often through generic business support, financial business support or business support through their own council officers and Members.

Growing the co-operative sector as part of strategic regeneration programmes

The following case studies show how co-operative development can be a strategic objective alongside other policy objectives in wider programmes.

Community wealth building in Preston

- Innovative use of public procurement.
- Explicitly aims to develop co-operatives in the commercial market without taking the administration away from public services.
- Initial identification of 12 existing major institutions that are geographically rooted in Preston, ranging from the hospital to the police to the university and city council.
- Redesign of the procurement strategies to ensure that participating institutions and their supply chains as far as possible paid the living wage.
- Establish two worker cooperatives to fill procurement gaps.
- Redirection of spending to local businesses, including cooperatives.
- Establish a Lancashire Community Bank designed to lend to co-operatives and small businesses that currently struggle to access finance.
- Re-establishment of Guild Money, a city-wide credit union with 500 members.

USE-IT! - Unlocking Social and Economic Innovation Together, Birmingham

This initiative has been delivered by Birmingham City Council, acting as accountable body for a European-funded programme to develop the economy around the site of a new hospital.

Birmingham is a key economic hub and a popular destination for migration. While the city is a 'big draw', the reality of poverty and underemployment amongst indigenous and migrant populations is leading to increasing social, economic and environmental isolation.

Birmingham City Council was the accountable body for the USE-IT project and commissioned Co-operative Futures to develop co-operatives to support the build of a new hospital in Birmingham. Three new co-operatives were developed (The Active Wellbeing Society, Eat Make Play and Smethwick Food Hub). The scheme worked in partnerships between Birmingham City Council, University of Birmingham, Co-operative Futures and several NGOs.

As a result of the project, people in the communities will access jobs at the hospital and other opportunities linked to the large investment projects planned for the area (macro-assets). New businesses will be created and developed in the area by local people and even more people will find employment within these businesses.

Local Strategy Development

Some councils have set explicit strategies and action plans to grow the co-operative economy. While we didn't find any evaluations of these, this section summarises those approaches as they were thought to be useful in focusing efforts where it was felt they could add the most value.

Many councils participating in CCIN understand the size and shape of their social economy and have looked specifically at the co-operative sector.

Mapping the current co-operative economy within the boundaries of any council area can best be done through using the same mapping methodology that Co-operatives UK has used nationally – number, turnover, employment and membership. Updated regularly, this also shows change related to economic downturns and changes to support infrastructure. Co-operatives UK monitors a range of data sources to provide the most comprehensive intelligence available on the UK co-operative sector. Their data is collected from a range of sources and is reviewed to ensure its accuracy and reliability. Co-operatives UK make their data openly available to allow anyone to access, analyse, build upon, share, and improve. Information about member numbers and turnover can be found from annual returns to the Financial Conduct Authority and Companies House.

The release of the co-operative economy dataset as open data is the result of extensive work over recent years to improve the accuracy and coverage of data on the co-operative sector. This work continues and future releases will see further improvements in the quality of the dataset. Co-operatives UK welcome any feedback and any corrections to data@uk.coop

The following Five Co-operative Development Strategies are shown for comparison:



Co-operatives UK Co-op Economy Report

Aim: to reveal the turnover, membership and employee figures for 1000s of co-operative businesses across the UK in a comprehensive report of the UK's co-operative sector.

Compiled by Co-operative UK on behalf of the UK co-operative movement. Data is collected from a range of sources including the Financial Conduct Authority (FCA) and Companies House and it is continually updated to ensure it is accurate, complete and trustworthy.

Baseline data: number of employees and members; annual turnover; survival rates; sectors and ownership. The UK's co-ops are owned and controlled by 14 million members, the equivalent to more than a fifth of the population. They also remain significant employers, with 241,714 people earning their livelihoods directly through co-ops.

Conclusions and Recommendations: the 2019 report lifts the lid on a sector which is yet to reach a critical mass despite strong arguments for a more co-operative economy. As coops are owned and controlled by their members, the business is run more fairly, profits are shared and solutions respond to members' needs. In addition, coops are more resilient and likely to succeed than start-up companies. Although the report does not have specific targets, it does give a comprehensive insight into the performance of the sectors and regions where coops are thriving.



The Wales Co-operative Centre

An independent co-operative working with people, communities and enterprises to improve their lives and livelihoods.

Since 1982, the centre has helped to strengthen and empower Welsh communities by supporting the growth of co-operatives and social enterprises and through collaborative delivery of projects that provide skills and tackle exclusion.

Social Business Connect from the Wales Co-operative Centre is a commercial consultancy service which helps organisations to develop social value within their supply chains by trading with the social business sector.



Greater Manchester Combined Authority

Aim: the Greater Manchester Co-operative Commission was established by the Greater Manchester Combined Authority (GMCA) to be a driver for developing co-operative activity across the city-region and to explore how co-operative methods could help to solve existing issues. It focussed on three 'opportunity areas': housing, transport and digital. Terms of reference stated that the approach was 'set in the context of enabling a more inclusive economy, in which the concept of social value creation will be an integral part'.

Baseline data: general questions about co-operatives across the housing, digital economy, transport and co-operative business development sectors.

Conclusions and recommendations: the co-operative model will generate new opportunity and fill vacancies left by market failure. In order to achieve success, co-operatives must not only exist to fulfil values and principles, but also to bridge a gap in the consumer market, which may be achieved through innovation and building on existing infrastructure. 'Greater Manchester should radically change the focus from traditional business towards wider productivity, communities and the creation of an inclusive economy'.



Glasgow

Aim: to undertake a business mapping and needs assessment of co-operative enterprises in Glasgow, with the following objectives:

- Produce a comprehensive report on co-operative enterprises in Glasgow to provide a current profile of this sector, its support / development needs and its contribution to the Glasgow economy.
- Provide recommendations (based on findings) on the way forward for the development of cooperatives in Glasgow.
- Provide recommendations (based on findings) on priorities for resource allocation to address the development needs of co-operatives in Glasgow.

Compiled by Ekosgen in 2014, in partnership with Social Value Lab on behalf of the Co-operative Development Unit (CDU) at Glasgow City Council.

Baseline data: number of employees/members/volunteers / growth; turnover / profit / start-up rates / business strategy; location / sector / ownership; funding awareness and funding accessibility; social objectives and challenges.

Conclusions and recommendations: the report identified the following sectors to grow the Glasgow economy: digital technology, finance and business, services, creative industries, low carbon, health and life sciences, engineering, design and advanced manufacturing, tourism and events, higher and further education.



Plymouth

Aim: the Doing it Ourselves report was commissioned in response to the following 2018 Labour administration pledge:

'We believe there is scope to increase the number of businesses owned by the people that employ them. As we've shown with community energy, people should be able to come together to use their buying power to improve the quality of the goods and services they receive. We will map the current work of co-operatives and mutuals within the city and set out an action plan to double the size of this sector by 2025.'

Compiled by: Co-operatives UK were commissioned through the CCIN Consultancy Framework.

Baseline data: 23 co-operatives producing a combined turnover of £18.6 million. 9,500 members and 226 employees.

Conclusions and recommendations: five "strategic growth areas" were identified as the most promising themes to focus on to double the co-operative economy by 2025:

1. The local wellbeing economy
2. Community owned infrastructure
3. Worker-owned technology and creative industry
4. Public-facing cultural and community hubs
5. Municipal co-operation

Plymouth should double the size of its co-operative economy by 2025 to 50 co-operatives producing a combined turnover of £40 million. 20,000 members and 500 employees

Business Support by Council Officers

In general, the consultation for this report shows that co-operatives do get support from their council, but finding their way around a council can be difficult. Throughout consultation, it became apparent that opportunities for council involvement in co-operative development manifest in distinct ways, so it is difficult to pick one department with overall responsibility:

- External - an approach by representatives of a local group about running a local asset or service on behalf of a community.
- Internal - as an alternative model for delivering existing council services.
- Co-design - through a co-design process between the council and members of a community.
- Existing - from a growth opportunity of an existing co-operative, greater customer demand, contract opportunities, new technology or diversification.

This is supported by our discussions with co-operatives' staff, which demonstrated that they interact with officers and members across multiple council departments. Mostly, this is to:

- Deliver generic business services such as environmental health, planning or land and property.
- Deliver sector specialist commissioning or business services such as health, care, youth, play or housing, often through networks or forums.
- Manage funding and finance programmes aimed at incentivising bigger, better or faster growth.
- Provide governance services which can include Board members, secondments of staff or secretariat services to co-operatives that usually either:
 - Have been initiated by the council.
 - Use council assets.
 - Are council controlled (e.g. for procurement reasons or to keep assets in public ownership).

Co-operatives also interact with specialist advice and networks that are commissioned by or supported by the Economic Development Department and / or the Local Economic Partnership.

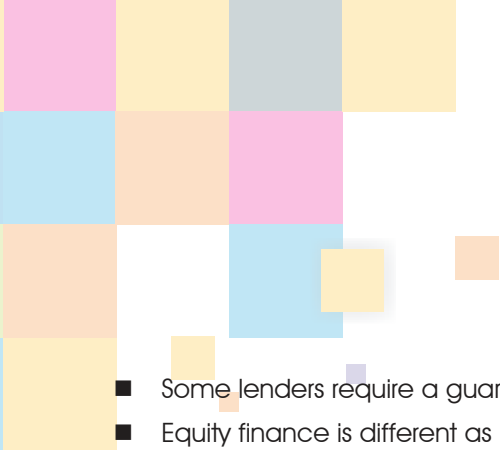
Co-operatives told us that in general, they benefit from a receptive, knowledgeable policy environment in the council, so that when opportunities arise to start or grow, their structure and principles are an advantage and not a hindrance. At best, they find that the council will champion them and other co-operatives and will work with them to develop commercial responses to council requirements.

Some staff of co-operatives reported finding it difficult to identify and access the right people in their councils. We found that where Economic Development Officers run a strategic Business Relationship Programme with co-operatives, this can help to maintain a co-ordinated, accessible relationship. Often, co-operatively run businesses are important to the council either because of the type of service they provide or the nature of the community that they work with. Additionally, co-operatively run businesses may be strategically important because they tend to retain financial benefits locally – rather than distributing profits to private shareholders – so will deliver community benefits alongside council services, benefitting both.

Financial support from Councils

Co-operative representatives have told us and other researchers that there are a multitude of investors willing to provide the value-driven, patient (ie not short term, high-return) finance that they need. However, the governance model and growth stage of the business can be limiting.

- A company limited by guarantee can only access debt finance, unlike a company limited by shares or a community benefit society.
- Most CIC and CBS can register for investment from private individuals under the Social Investment Tax Relief scheme.
- Many social lenders and grant providers won't support co-operatives without an asset lock in their governance documents and often require this to be protected under charity, CIC or CBS regulation. This isn't available to co-operative societies e.g. worker co-operatives.

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- Some lenders require a guarantee from Directors.
 - Equity finance is different as investors would usually expect to have influence in the business commensurate with their shareholding, which co-operative structures do not allow.

One of the most common barriers to access to finance is the age of the company. Start-up co-operatives can take longer to incorporate because they prioritise stakeholder buy-in to their model and require grants to support their incorporation, initial feasibility and business planning processes. They can also take longer to start trading as they tend to be financed by a larger number of sources and rely on low paid or unpaid workers to get the business going, and who, unlike private businesses don't benefit from the uplift in the value of the company and its profits.

Councils can help by offering grants, loans or share capital, adding value by making the activity faster, bigger or better.

During the consultation for this report, we heard of council investments mainly coming from one-off income pots used for economic development. These have included Section 106 contributions, Community Infrastructure Levy, Devolution Deals, the sale of housing stock and business rate retention. Councils have also acted as the accountable body for grant schemes, common examples being the National Lottery and European Structural Investment Funds. Some councils also hold significant property portfolios and look for tenants that can deliver community benefits for them. Separate CCIN Policy Labs have been delivered on Housing and Community Asset Transfers which cover this.

Councils with co-operative finance schemes need to have a knowledge of the range of investments available in the market so that they complement existing provision and don't duplicate or skew the finance market. Councils have a reputation for being prudent in their investments and their support can therefore give confidence to other investors.

State Aid

State aid is the term used for financial support to businesses from public resources. It has the potential to give an advantage to the recipient business and can therefore distort the market. Where councils buy goods, works and services, or shares that are available on the open market, they do so as any other enterprise or investor would. Where they provide assets, services, tax breaks or money selectively to a business, this can only be done for pre-defined purposes that are beneficial to the economy, supporting overall growth and other policy objectives.

Within the European Union, state aid is heavily regulated and there are a number of approved mechanisms or exemptions such as regional delineations, research and development, environmental protection and aid for small to medium-sized businesses. If the UK's legal framework for state aid changes as a result of it leaving the EU, this will be important to the financial support schemes provided by councils.

Unlike the private shareholding boom of the 1980s, co-operatives provide a very useful mechanism for maximising the benefits from economic initiatives in a local area.

"But now, more than half of UK company equity is owned abroad and only just over 12% by individuals. The wealthiest 10% of households own 45% of the nation's wealth, five times more than the bottom half, and almost 70% of financial wealth, including stocks and shares. The distribution and nature of business ownership is a critical factor in inequality. Capital's share of national income has risen over time, and is likely to rise further, driven by trends such as increasing automation, the rise of platform winner-take-all 'superstar firms', and the UK's land market."

Even within EU regulation, there are barriers to councils investing in or subsidising businesses in their most deprived communities. This can affect community asset transfers, grants for innovation such as social prescribing and subsidy of regeneration in deprived areas. There is no universal exemption that recognises the value of investing public money to create democratic, community owned and controlled businesses, even in deprived areas.



Social impact investment company Resonance is working with a community group in Middleton, Rochdale to develop a first phase of community-led housing on a site owned by Rochdale Borough Council, through the Resonance Community Developers Fund.

The Fund provides equity investment into a Community Benefit Society structure to facilitate the group's early stage set up and project development. It also supports communities throughout the delivery of their projects via its Community Co-ordinator network. The Fund aims to help groups realise ambitions to meet local needs and create local wealth through owning income-generating assets such as affordable housing, sports and leisure facilities and community renewables.

Local authorities are well placed to initiate and support community-led development alongside the Resonance Community Developers Fund programme. This might be by identifying suitable development sites, considering use of S106 commuted sums, right to buy receipts, new homes bonus and Community Infrastructure Levy monies to lever social investment. They may also purchase return-generating community shares in completed schemes within their boroughs.

The Resonance Community Developers Fund is a revolving equity fund intended to operate in perpetuity, and grow to a national programme from its starting points in Cornwall, Gloucestershire and Greater Manchester. It brings together capital from the social investment, local and national government sectors to provide patient equity for community groups. It also contracts with local providers to provide face-to-face governance, business and project development support throughout delivery.

Community banks exist for local residents and businesses

An exemplar scheme is led by Preston City Council (in collaboration with other local authorities in the North West, including Liverpool City and Wirral Councils), where a community run bank could be on the high street by 2021. The Community Savings Bank Association (CSBA) has supported the scheme which has almost secured the £20m of investment that is required to apply for the banking licence.

By leading on this project, Preston City Council continues to commit to its 'Preston model', to generate and retain wealth within the city and the wider economy. Councillor Matthew Brown, Leader of the Council commented, "We have made an assumption that if 2% of people move their accounts to the new bank... then we can lend half a billion pounds to local people... real grassroots uplift... could recirculate £4bn locally".

Key strengths to this new banking model include:

- Local banks need local communities to thrive for their business model to work.
- Local branch manager will know the local area and be better placed to provide a more personalised service.
- Lending strategies that can be seen as pro risk in a national lending strategy can have strengths unique to a strategy that focuses on local lending.

In 2012, Trinity Hall Cambridge and the Cambridgeshire Local Government Pension Fund formed the Cambridge and Counties Bank, focusing on secured property lending to SMEs. Reaching profitability after just 13 months, the bank saw profits of £4m and £10.2m in 2014 and 2015 respectively, with a loan book of circa £250m.



Other local authorities investing in bringing a community banking branch to their high streets include:

- Bristol City Council, Stroud District Council and Wiltshire County Council have contributed toward the £1m target set by Avon Mutual.
- Plymouth City Council, Cornwall County Council, West Devon District Council and South Hams District Council, have all invested in South West Mutual.

These strengths have also been identified by the Welsh Government who are supporting Banc Cymru in their first phase of work. Smaller regional businesses and charitable enterprises are often not a priority for large national banks and therefore deserve the financial support which can be provided by local community banks.

Council participation in co-operatives through governance, staff and assets

In addition to the usual differences between co-operatives and other business models, council participation as a member, particularly where there is overall control, can add further constraints. These arise from regulations on local authorities such as procurement, pricing, use of surpluses and governance. In the consultation for this report, we found that understanding regulations that govern council enterprise activities was a specialist niche in legal advice, and rarely coincided with experience of working with co-operative governance models.

Therefore, in discussing interventions by councils in co-operatively run businesses, there is a distinction between enabling of specialist external advice to co-operatives, and specialist advice to councils about their own participation as a member of a co-operative.

Where councils initiate new businesses, application of the Co-operative Values and Principles is tested at each stage of development, which can raise questions and challenges. To support this process, Co-operatives UK provides guidance and the role of the council will be continually assessed by officers.

Requirements for council involvement	Challenges for the council
Technical knowledge from CDBs, lawyers and accountants.	Knowing when to seek specialist advice. Finding specialist advice.
Understanding whether council involvement is participatory or supportive.	Whether a Teckal arrangement is required. Oversight of council owned assets may be required, company / society objects. Community wealth building with public sector partners may require a democratic governance structure with council participation.
Resourcing the council's involvement.	Resourcing from existing staff, a new appointment or external support.
Knowledge, skills and experience of key staff.	Building the capacity of key staff to: <ul style="list-style-type: none"> ■ Manage the start-up process. ■ Manage the resulting enterprise. ■ Build the trust and engagement of members.
Working with a new or existing community of interest as the founding members.	Understanding community skills, capacity and appetite for delivery.
Access to capital.	Social investment by the council and alongside external investors.
Ensuring a viable business model and a viable revenue stream.	Council support may involve cashflow, premises and staff.

Council Roles and Responsibilities for co-operative support

Within councils, officers from various departments get involved in co-operative development and there is often a Member championing the work. In some councils, this political leadership comes from a designated Cabinet Member. This section explains the departmental home of those officers and their roles.

The councils surveyed do not support co-operatives on their own. Instead, they work with local and national specialist organisations to engage, understand and support co-operatives. We explain how technical advice is sought and engaged in an earlier section, making reference to generic roles here to demonstrate how the two work together.

We have also summarised the skills that are common amongst the officers that we have spoken to. They generally work in either Local Government Policy, Business Support or Community Development. The skills common to those roles are shown below, along with the skills that Co-operatives UK identify as specialist to co-operative development workers.

Council Services working with co-operatives

Commissioning and Procurement	Policy
Public Health	Youth Services
Homelessness	Libraries
Green Infrastructure (and Blue Infrastructure)	Economic Development and Planning
Arts and Culture	Visitor Economy
Land and Property	Trading Standards
Environmental Health	Skills and Education
Early Years Services	Housing
Neighbourhood Planning	

Cross Sector working

One interesting idea proposed during the consultation was 'boundary spanning', which describes roles that link an organisation or department to external stakeholders. Many council officers working with co-operatives span the public, private and third sectors, so can be referred to as 'boundary spanners'.

Research into collaboration across "two or more individuals, organisations, institutions or nations embark upon a mutually agreed process" was mentioned in the book 'Working Across Boundaries: Collaboration in Public Services' by Helen Sullivan and Chris Skelcher. They identified skills that are common to public sector boundary spanners:

- Co-ordination – linking different people or organisations.
- Facilitation – enabling them to work together productively.
- Communication – interpreting different organisational 'languages' and expressing ideas and options in a way that everyone can understand.
- Networking – forming and maintaining relationships in less formal ways.
- Negotiating – understanding different interests and brokering bargains.
- Conflict resolution – identifying sticking points and finding common ground.
- Risk-taking – dealing with uncertainty, making trade-offs and accommodating the unexpected.
- Problem-solving – creative and lateral thinking.
- Self-management – ability to prioritise and organise time.
- Analysis – understanding different organisational environments and complex policy contexts.

Skills Common to Council Officers who are working with Co-operatives and to Co-operative Support specialists

Local Government Policy Officer

- Good written and verbal communication skills, to absorb complex information and present it to different audiences in a clear and accessible way.
- Interpersonal skills, to work and build relationships with a wide range of people holding different views.
- The ability to understand diverse perspectives and to be able to successfully influence and negotiate.
- Effective research and analysis skills (including quantitative and qualitative), needed to build an evidence base from which you will work.
- Good organisation skills, to track priorities, work to deadlines and manage projects.
- A flexible and adaptable approach, in order to respond to shifting priorities and a rapidly evolving external environment.
- The ability and desire to acquire and maintain knowledge of a policy area or areas.
- A commitment to learning and improvement.
- Good political judgement and initiative, for making decisions autonomously or advising others on the most effective course of action.

Community Development

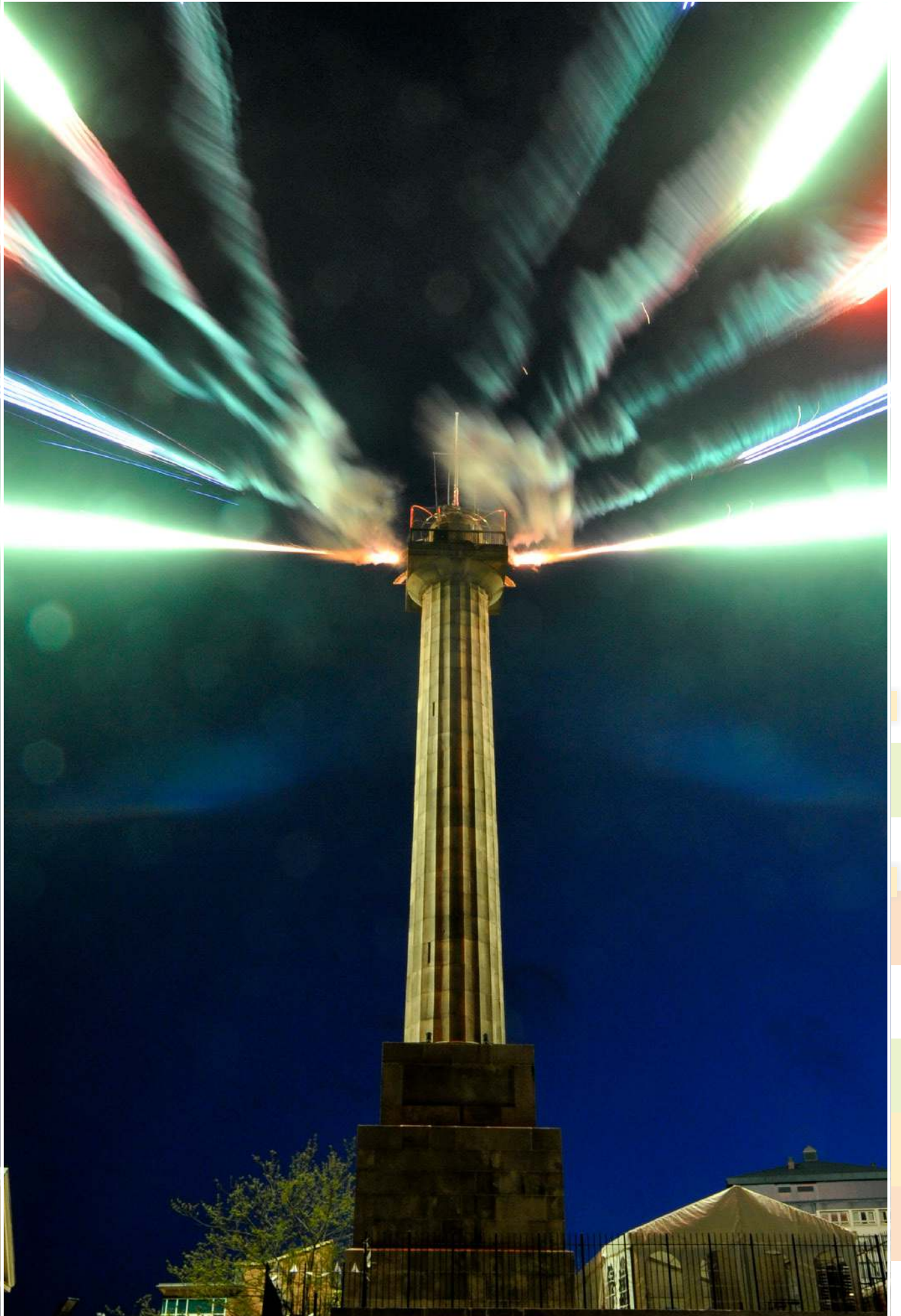
- Work with individuals, families or whole communities, empowering them to:
- Identify their assets, needs, opportunities, rights and responsibilities.
- Plan what they want to achieve and take appropriate action.
- Develop activities and services to generate aspiration and confidence

Co-operative Support Worker

- Understanding what a co-operatives and the co-operative advantage.
- Types of co-operatives and ownership models, how to recognise and determine appropriate structures.
- Business planning through a co-operative lens.
- Co-operative finances: financial modelling and systems, book keeping and accounts.
- Use of withdrawable share capital and the concept of community shares.
- Start-up, growth, conversion - co-operative models in each phase of the business life-cycle.
- Governance - culture and technical.
- Human resources, cultural and technical, including managing conflict in co-operatives.
- Member training and inductions, engagement.

Business Support

- Providing information on finance, funding and grants.
- Offering mentoring and coaching to help a business through changes.
- Providing support on the business planning process.
- Giving advice on business improvement techniques.
- Introducing businesses to networks and associates.
- Supplying specialist support to specific business sectors.
- Offering specialist support to develop international trade agreements.
- Informing and influencing government policy on business support.
- Designing and delivering training seminars to provide business support to a wide audience



Political Leadership

Greater Manchester Combined Authority – Andy Burnham

Andy Burnham, was elected as Mayor of Greater Manchester in May 2017. He is responsible for transforming public services and shaping the future of the region, making the case for the people of Greater Manchester at the heart of government and on the world stage.

Andy is the chair and eleventh member of Greater Manchester Combined Authority. The leaders of the ten councils form the Mayor's Cabinet. He is also supported by a Deputy Mayor for Policing and Crime, and a Deputy Mayor for Economic Growth and Business.



Devon County Council – Councillor Roger Croad.

Councillor Croad championed the spin out of Devon Libraries, which completed on 1 April 2016, as Libraries Unlimited South West. The service is owned by staff and the community with two seats on the Board for each. Each member has a vote weighted between the membership classes, staff (33%), community (33%), trustees (34%). Roger is the Devon County Council member for Ivybridge and a Conservative Party Councillor and Cabinet Member for Community, Public Health, Transportation and Environmental Services. As well as championing the library service spin out,

in 2016, his portfolio included the provision of start-up financing for two community energy partnerships, the South West Devon Community Energy Partnership and another centred on the North Devon Biosphere. It also secured community ownership of two solar arrays by Exeter Community Energy. The Council won the Public Service in Devon Award at the Devon Environmental Awards 2016 for that work.



Plymouth City Council – Councillor Chris Penberthy

Councillor Chris Penberthy has been a councillor since 2011 and is the current cabinet member for Housing and Co-operative Development. He is Chair of Co-operative Councils' Innovation Network Values and Principles Board. Chris has led on a 2018 council pledge to double the size of the co-operative economy in Plymouth which started with commissioning the city's Co-operative Development Strategic Action Plan.

Chris initiated the Social Enterprise Investment Fund in 2015 which was a finalist for the international Innovation in Politics Awards in 2019. To date a total £2.2m has been allocated to 43 organisations, creating a pipeline of 200 jobs and bringing 18 buildings and land back into use. Over £2m has been brought

into Plymouth through projects attracting match funding. The loan repayments from SEIF are allocated to a Co-operatives and Mutuals Development Fund for purchasing shares in co-operative businesses. The first shares purchased were in South West Mutual Bank in 2019.

Chris is involved with several co-operatives in the city including Plymouth Energy Community (PEC) (Director), PEC Renewables (Director), PEC Homes (Director) and Ernesettle Community Solar Ltd (Director).

Preston City Council – Councillor Matthew Brown

Matthew Brown has been a Labour Councillor in Preston since 2002 and Leader since 2018. He is the driving force behind the 'Preston Model' of Community Wealth Building and has been making headlines at a national level for some time for his transformative approach to local economic development.

He led the way for Preston City Council to become accredited as a Living Wage employer, the first local authority in the North of England to do so, and to commit to setting up a North West Regional Bank in partnership with Liverpool and Wirral Councils. Matthew has also been at the forefront of initiatives to develop the cooperative economy in Preston through the establishment of Preston's Cooperative Development Network (PCDN) in 2017 and by securing funding last year from the Open Society Foundation for a project to support cooperative development, in partnership with the University of Central Lancashire.

Partnership working with other local anchor institutions is central to his vision for community wealth building. Its value to the local economy has been evident for several years through the work of the Local Group of Procurement Practitioners which includes representatives from anchor institutions across local government, education, housing, the police and health. The Group works together to improve procurement practice and harness the potential for local wealth generation. Recent analysis highlights an increase in spend with suppliers in Lancashire which demonstrates the resilience and competitiveness of SMEs in the region.

The range of initiatives championed by Matthew Brown in Preston since 2012 are practical and transformative alternatives to austerity and disinvestment. Together they are retaining and developing local wealth, strengthening local communities and extending economic democracy.





Officer and Member Roles in the development of Four Greens Community Trust, Plymouth

Plymouth City Council (PCC) set up a Community Economic Development Trust in the north of the city, centred around the regeneration of a disused care home and embedded in the community through a co-operative structure. The FGCT runs a wellbeing hub as well as associated assets that are used for community energy schemes and local employment. Further asset transfers are planned that will address housing, skills and employment needs.

The project stemmed from a commitment in the 2012 election campaign by Plymouth Labour Party **'We will begin the process of creating a new Community Economic Development Trust for the north of the city, to replicate the success of Wolseley and Millfields Trusts in an area needing employment opportunities.'**

After the election, a cross-departmental group of council officers was instructed to deliver on the commitment. The team was led by the Land and Property team and included officers from the Economic Development Service, Homes and Communities, Planning, Policy and the Neighbourhood Regeneration service.

James Watt, now Head of Land and Property; Patrick Bowes, Economic Development Manager; Debbie Burton, Community Connections Operational Manager; Darin Halifax, Policy Advisor; and Patrick Knight, Economy, Partnerships and Regeneration Manager are still with the council and still supporting the project delivery. Their initial task was to explore existing assets and to develop a 'community capacity statement' that explored community needs.

These studies were used to procure Locality as consultants "to determine how best to establish a new CEDT that will bring about improved community economic opportunities and community cohesion in the north of the city."

Politically, the project was led by the Cabinet Member for Co-operatives and Community Development, Councillor Chris Penberthy. In January 2013, the council's Cabinet approved recommendations to allocate £50,000 from cost savings, hold 11 sites for feasibility and business planning and involve the community in the project. Then, in October 2014, Cabinet approved in principle, the transfer of the derelict Whitleigh Care Home to become the Trust's hub along with revenue funding and 2 Councillors as representatives on the Board. The project continued to be supported by all sides during its development.

The Voluntary and Community Service provider's contract included a requirement to "Support the establishment of the proposed new Community Economic Development Trust for the north of the city, by engaging with residents, local groups, and other stakeholders to create and participate in new governance structures and CEDT activities." This was delivered in 2013 by Plymouth based Zebra Collective which is a worker co-operative that delivers facilitation, consultancy and training for social justice.

By August 2013, the Council's Homes and Communities service had conducted almost 100 detailed community surveys. Then, the following year, a summer programme of events was used to engage new members of the proposed co-operative, which involved taking a blow up sofa to the area to invite people to sit and chat. This also involved the regeneration team of the Economic Development Service and extra communications were undertaken as part of a wider Co-ops Fortnight communications campaign each year. The fire service's community safety Blue Bus was used for some of the activities.

The framework for the first business plan was finalised by the regeneration team in December 2013, and provided a timeline for identification of the preferred community assets and production of a business case to support their transfer in the following year, then employment of a business development manager to implement the project. This was the report that first promoted the ideas of a solar array site and a community health care centre although these were just two of a long list of ideas to provide employment and services.

University of Plymouth's Business School was engaged by the regeneration team to run the first Board Development Workshop in August 2014. A subsequent series of workshops helped the Board to plan the co-operative's development. Co-operative Development Body The Fruit Tree for Business also worked with the shadow Board to investigate options for incorporation.

The Trust was incorporated as a co-operative Community Interest Company in October 2014 and held its first AGM to appoint the Steering Group members as the first Directors including local Labour and Conservative councillors.

In May 2015, the project received £90,000 from the council's Social Enterprise Investment Fund (SEIF) to employ the project's first Business Development Manager through the Economic Development service.

Late in 2015, just before solar subsidies were reduced, the Trust approached Plymouth Energy Community, another co-operative established by the council in 2013, to help turn derelict land into a community asset with a 4Mw solar array that was opened in March 2016.

The Whiteleigh Hub opened in 2016 and in 2018, the council announced it as one of their new Wellbeing Hubs as part of the Strategic Commissioning Framework. Partners included NHS Northern and Eastern and Western Devon Clinical Commissioning Group.

In 2019, the Trust was contracted to act as Managing Agent for the sites which involved transferring financial responsibility. The Community Asset Transfer of the first 5 sites will be completed in April 2020 with an accompanying Service Level Agreement to ensure ongoing council engagement with operational activities of the Trust. This coincides with the launch of the Trust's new 3 year strategy that was written following consultation with over 200 community members aged 6 to 91.





Facilitating Understanding and Awareness Raising

Discussion about understanding and awareness is ubiquitous to co-operative development strategies and programmes. There are two aspects to the discussion - the understanding and awareness of both what a co-operative is, and the value that co-operative working adds to a business.

Several of the councils highlighted in this report have at least one officer and one member with in-depth knowledge who are championing initiatives. Council Co-operative Ambassadors are an important mechanism for mainstreaming knowledge and experience, while political leaders will be influential in overcoming the challenges of ensuring that council-led enterprise developments have Co-operative Values and Principles embedded.

Ensuring internal understanding and awareness raising about co-operative models

Several councils we spoke to had encouraged lead officers, senior officers and members to learn about co-operatives through formal training and visits.

The Co-operative College provides a 'Co-operative Essentials e-learning' course consisting of five of their e-learning modules, which are available separately and as a package. Access to a free copy of one of the eLearning modules can be arranged using a predetermined code. The College is also developing an online induction training package with the Co-operative Councils Innovation Network to be launched in 2020.

What is a Co-op?

A comprehensive overview of co-ops - what they are, where they came from and why it matters:

- Co-operative Values and Principles, models and history

Co-operative Membership Engagement

- Routes to membership
- How to engage members: traditional and new methods

Roles and Responsibilities of Co-operative Directors

- Directors' legal responsibilities and duties
- Role of the Chair
- Duties of a manager
- Appointing a CEO

Good Governance

- Democratic and management structure
- Key elements of good governance
- Wheel of governance

Monitoring Co-operative Performance

- Benefits of monitoring co-operative performance
- Financial, non-financial and sustainable performance
- Process – the five steps

Co-operative Glasgow was established in 2013, with two main aims. These were to:

- Make Glasgow a Co-operative Council, by aiming to grow co-operative businesses and social enterprises, and devolve power to our people;
- Establish a Co-operative Development Unit (CDU) within the Council's Development and Regeneration Services to promote the development of co-operatives and other social enterprises in the city.

The CDU team is committed to developing co-operative organisations and co-operative ways of working across Glasgow and within Glasgow City Council (GCC). It delivers against GCC's Strategic Plan and the Fairer Glasgow objectives of the Glasgow Economic Strategy and also contributes to Scotland's Economic Strategy, particularly inclusive growth and the Social Enterprise Strategy.

A Co-operative Champions Network provides effective strategic support to the work of the CDU and the objectives of Co-operative Glasgow. The Network comprises representatives from across the Council and its arms length external organisations. Its remit includes identifying potential co-operative service delivery opportunities and communicating 'Co-operative Glasgow' internally and with external partner organisations. The Network is chaired by the Executive Member for Health and Social Care, with additional political representation from the Deputy Leader of the Council, who was previously the Network's Chair.

Alan Davidson, Principal – Economic Initiatives was asked in 2012 to develop the co-operative sector. He previously worked for the third sector. His first job in GCC was working with the City's Credit Unions.

At the time of an evaluation in 2017, the sector had grown by 17% to 122 since 2014, with an 8% rise in employment, and 35% rise in turnover.



Co-operative College is a British educational charity, founded in 1919, dedicated to the promotion of co-operative values, ideas and principles within co-operatives, communities and society.

The college works with co-operatives across the UK and throughout the world with a focus to deliver projects and programmes that help individuals and groups gain the skills and understanding needed to put Co-operative Values and Principles into effective practice, with the ultimate aim of helping build co-operative identity and successful co-operative businesses and communities.

They work with a wide range of universities, government departments and non-governmental organisations, together with a network of education co-operatives, and are known for using innovative co-operative teaching, learning and research approaches.



Supporting understanding and awareness raising about the value of co-operative working

Much of the responsibility for this lies with the co-operative sector, with individual co-operatives and with the support organisations and think tanks that work with them. Councils have a role in amplifying messages and ensuring that they are delivered internally to officers and members who can benefit from better understanding.

From a council perspective, important messages that co-operatives could highlight are:

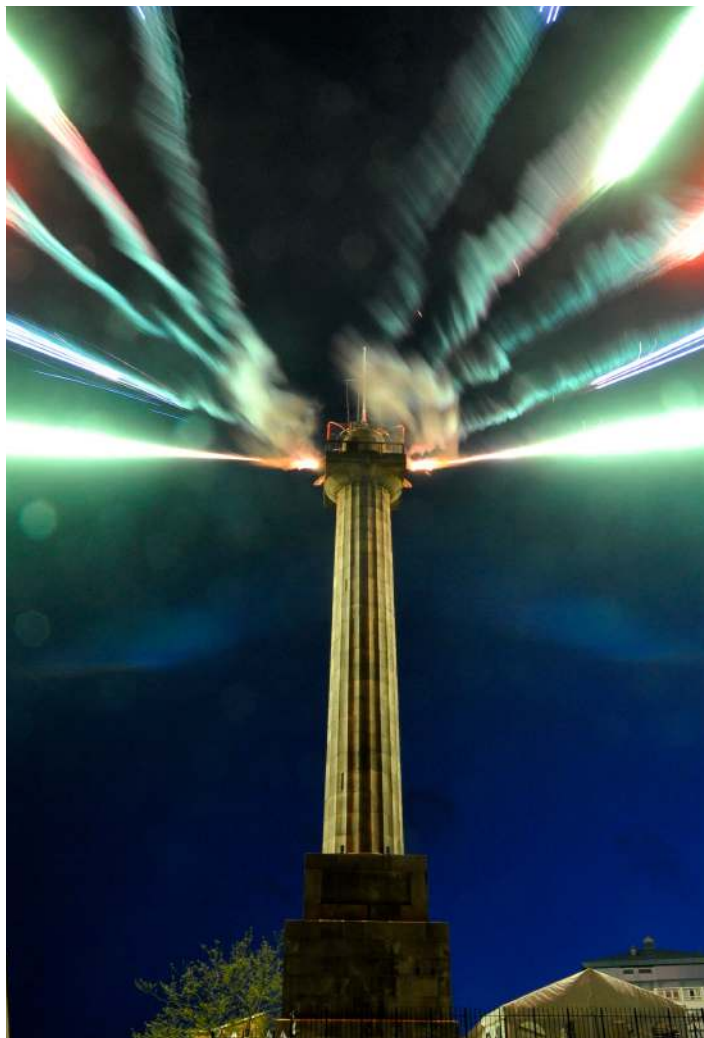
- Social value – how does community concern and member education improve peoples' lives?
- Outcomes of democratic participation – how do members affect the quality of goods and services and the benefits to members and the wider community?
- Financial inclusion – distribution of profits with staff, other members and the community, especially alongside inclusive growth community wealth building programmes.

The audiences for awareness raising of the value of co-operative working are wide. We suggest that communication methods should be tailored for various stakeholders including:

- Council officers.
- Would be co-operatives including start-ups, existing private businesses – particularly family businesses - and existing voluntary and community sector and social enterprise businesses.
- Professional service providers.
- Co-operative businesses.
- Business education providers.
- The general public – particularly consumers, potential members and users of existing and potential co-operative services.

A communication plan will define who needs to be aware of and informed about co-operative events, how and how often information will be distributed and who will be responsible for the distribution. There are some key points in the calendar that provide opportunity for this:

- Co-operative Fortnight, held in the run up to International Co-operatives Day on the first Saturday of July, is a key event for celebrating the co-operative movement, but also to raise the profile amongst those listed above. Co-operatives UK provide promotional material to advertise events during the Fortnight.
- Co-operative Congress is held just before, or during, Co-operative Fortnight and is the sector's annual conference, when members, directors, activists and CEOs from co-operatives large and small come together.
- Global Entrepreneurship week in November is when many Social Enterprise Festivals are held.
- Local Business Awards often focus media attention on the impact of local businesses on the local economy and community.
- CCIN Annual Conference.



Awareness Programme in Plymouth

Plymouth ran an awareness programme as part of the delivery of its Strategic Action Plan. Activities in the programme included:

- Co-operatives Fortnight - a programme of 20 events took place in 2019, including representation at Armed Forces Day (many British Legion clubs are co-operatives) and a Bee party at a co-operatively owned solar farm. Events over the fortnight reached over 14,000 people via views, tweets and retweets on social media.
- Supporting literature aimed at the public and groups starting new businesses.
- Attendance at CCIN conference and Co-operativeCongress to let other organisations and councils know about our work, including presentations and fringe events.
- Attendance at the LGA annual conference.
- Sector specific workshops for key sectors identified in Plymouth's Strategic Action Plan, including food, care, financial services, professional services, social finance and the digital economy .
- A film programme with Plymouth Arts Centre, starting with The Rochdale Pioneers and then the festive classic, 'It's a Wonderful Life', focused around the people in a credit union and the humanity of community.



Section 3: Conclusions and Recommendations

Relevant Recommendations from previous reports

In 2017, Co-operatives UK launched 'Do it Ourselves' a National Co-operative Development Strategy for the UK movement. This bold strategy, led by Co-operatives UK, was developed with input and ideas from over 550 co-operatives over a two-year process and identified key sectors and enablers that could support the growth of the UK's co-operative economy over the next 20 years.

A year later, Co-operatives Unleashed was launched, with the focus on doubling the size of the UK's co-operative sector. This initiative was a Co-operative Party strategy, written by the New Economics Foundation. Demonstrating how enterprise can serve the interests of the people it employs and those in the communities around them. It shows how doing business can increase economic democracy and how the wealth created can be more equitably shared.

In 2019, the think tank, DEMOS, also published a report about community wealth building, reviewing the progress of work in Preston.

These reports about growing the co-operative sector have made several recommendations, many of which align with the recommendations made in this report:

- Championing co-operative business models.
- Facilitating community wealth building initiatives.
- Any new state aid framework that is established should recognise that a state aid exemption can be a useful mechanism for enabling the growth of co-operatives and community owned businesses.
- Supporting co-operative friendly finance.
- Recognising that share-ownership as well as family business succession are drivers for increasing the numbers of employee owned businesses.
- Strengthening delivery of the Social Value provisions of the 2012 Public Services Act.
- Enabling support for community banks through the underwriting of democratically owned, local banks as a route to capital investment.

Recommendations for improving the conditions for co-operative sector development are summarised in the following pages.

Recommendations from this Policy Lab

Through this Policy Lab, we have examined how we think councils can support the growth of the co-operative economy. In researching this report, the following recommendations have stood out to us as being potentially transformational.

Recommendation one - Explore development of a state aid exemption

As the UK leaves the European Union, competitiveness legislation may change. Under the EU, state aid is regulated through a notification process and can be challenged by the EU as well as by competitors. It applies to goods and services and is supported under every EU Trade Agreement with the exception of Switzerland.

We recommend that, where appropriate, explicit support be given for a state aid exemption for community owned businesses that are based in deprived communities.

Recommendation two - Championing co-operative principles as tools rather than mandate

Every group that comes together to form a business seeks its own model for delivering its aims, within the confines of the regulations of its sector, so it can be difficult to mandate the Co-operative Principles. In particular, councils are governed by significant legislation designed to protect public assets and to avoid using public expenditure in a way that competitive markets for goods, services and works. The Co-operative Principles therefore facilitate a conversation about whose interests are best served by the business model and who might be excluded by it.

For councils, maximising the application of the Co-operative Principles might not always result in a co-operative business that is eligible for full Co-operatives UK membership. We recommend that the conversation about maximising each principle and value should be explicitly required in the development of businesses where the council's support is material to its start up.

Recommendation three - Recognise the concept of a co-operatively run business

As discussed under recommendation one, councils are restricted in the ways in which they can participate in a co-operative and sometimes retain control. We therefore recommend that the concept

of a "co-operatively run business" (as defined below) be widely adopted for businesses where the application of the Co-operative Principles is maximised, but council control is required.

Recommendation four - Publish a corporate commitment to support growth of the co-operative sector

Some of the councils that are cited in this report have a very public and strategic commitment to grow the co-operative economy. These can refer to community led, employee-led and co-operative businesses and often target particular sectors.

We recommend that councils make a corporate commitment (through their overarching strategy, the annual report or corporate performance monitoring) to supporting co-operative sector solutions wherever possible, harnessing the energy of local communities and ensuring that the benefits of local economic development are retained for the benefit of local people. This should include working with other public sector organisations and private businesses to identify gaps in local supply chains where a co-operative solution is viable and beneficial. Partnerships with growth hubs, unions, professional bodies and chambers of commerce should be used to amplify this.

Recommendation five - State a preference for companies that are initiated by the council to be co-operatives

We have identified numerous policy drivers for councils to set up or spin out new companies where co-operative models provide solutions to policy challenges. These include filling procurement gaps, pooling resources to increase equality of provision, managing community assets, spinning out profitable services, addressing wicked problems with multiple stakeholders and getting a community to collaborate to provide a service or goods locally.

Where councils set up or spin out new companies, we recommend that they should optimise the application of co-operative principles.



Recommendation six - Skills for cross sector working

Cross-departmental working is common amongst the officers who have been involved in this research.

We recommend that the knowledge and skills required to work across multiple departments and with external partners be acknowledged, supported and written into the job descriptions of officers tasked with supporting co-operative development. We have called this role 'boundary spanning' after the research by Paul Williams. (2010) 'Special Agents: The nature and role of boundary spanners'. Cardiff Management School.

Recommendation seven - Implement a co-operative awareness training programme

Council officers responsible for local economic development, including community economic development and social value procurement and commissioning, have a better impact if they are knowledgeable about the benefits and delivery of co-operative working. In particular, they need to know co-operative working when they see it, so that they can provide appropriate support and broker to specialist services if required. It is also important that future co-operative citizens are able to access appropriate training which also focuses on the benefits of supporting co-operative businesses.

Appropriate training should be commissioned and subsequent e-training programmes rolled out to officers and Members who are tasked with applying the Co-operative Values and Principles in their work. This should be extended to other Anchor Institutions that are involved in Community Wealth Building Programmes.

Councils should also exert their influence to encourage other local anchor institutions to do the same, particularly procurement and commissioning teams.

Recommendation eight - Implement a council Co-operative Ambassador Programme

Building on recommendation six, we recommend that councils support an ambassador or champion programme for staff at all levels and across directorates. These officers would be responsible for relationships with co-operative development bodies, attendance at events and conferences and for co-ordinating knowledge sharing within their authority and between authorities. This sharing of knowledge would allow mapping of local specialist support.

Councils and partner organisations should implement a Co-operative Ambassador programme with a peer network to enable sharing of learning, emerging practice and good practice. This network can be light touch at first and exist as a digital network with annual meetups at key events.

Recommendation nine - Ensure that quality business advice is available locally from generic and specialist advisors

Publically funded business advisors are used to providing specialist information and brokering clients to specialist business advisors. However they rely on a good relationship with specialist advisors to do that and this doesn't currently happen in every area. The number of Co-operative Development Bodies and specialist advisors in the UK has reduced dramatically in the last 30 years and it is important that their expertise is recognised, used and promoted appropriately.

Councils should act collectively, and should call on their representative bodies such as the LGA, to ensure that local business advisors have the skills and knowledge to support employee-owned and co-operative businesses. This should include awareness and understanding amongst generic advisors, particularly those that are publically funded. It is also important to identify and support co-operative development specialist advisors and to ensure that they are networked with generic advisors.

Glossary

Anchor Institutions - non profit institutions that once established tend not to move location.

Business, Energy and Industrial Strategy (BEIS) - a department of the government of the United Kingdom, which was created by Theresa May on 14 July 2016 following her appointment as Prime Minister, through a merger between the Department for Business, Innovation and Skills (BIS) and Department of Energy and Climate Change (DECC). BEIS brought together responsibility for business, industrial strategy, and science and innovation with energy and climate change policy, merging the functions of the former BIS and DECC.

Care Quality Commission - The independent regulator of health and social care in England.

CCIN - Co-operative Councils' Innovation Network, a collaboration between local authorities committed to transforming the way they work with communities.

Charity - as defined by legislation in England and Wales, Scotland and Northern Ireland.

Cities and Local Government Devolution Act 2016 - designed to introduce directly elected mayors to combined local authorities in England and Wales and to devolve housing, transport, planning and policing powers to them.

Community Asset Transfer - the transfer of management and/or ownership of public land and buildings from its owner (usually a council) to a community organisation (such as a Development Trust, a Community Interest Company or a social enterprise) for less than market value – to achieve a local social, economic or environmental benefit.

Community Benefit Society - a Bill to consolidate certain enactments relating to co-operative societies, community benefit societies and other societies registered or treated as registered under the Industrial and Provident Societies Act 1965, with amendments to give effect to recommendations of the Law Commission and the Scottish Law Commission.

Community Infrastructure Levy - a charge which can be levied by local authorities on new development in their area. It is an important tool for local authorities to use to help them deliver the infrastructure needed to support development in their area.

Community Interest Company (CIC) - as defined by the Companies (Audit, Investigations and Community Enterprise) Act 2004. Designed for social enterprises that want to use their profits and assets for the public good.

Community Shares - also known as Withdrawable Share Capital, community shares allow you to invest in an enterprise that aims to benefit your community. You might come across them because you've been invited to support a venture, or you might be looking for a different way to invest some spare cash.

Community Wealth Building - a new people-centred approach to local economic development, which redirects wealth back into the local economy, and places control and benefits into the hands of local people.

Companies Limited by Guarantee - do not usually have share capital or shareholders, but instead have members who act as guarantors of the company's liabilities: each member undertakes to contribute an amount specified in the articles (typically very small) in the event of the insolvent winding up of the company.

Co-op Congress - the co-operative sector's annual conference, when members, directors, activists and CEOs from co-operatives large and small come together.

Co-operative Development Agencies (CDAs) - provide support and assistance to the worker co-operative sector.

Co-operative Development Bodies (CDBs) - not themselves co-operatives but are supportive of the co-operative movement and its principles.

Co-operative Fortnight 2019 - organised by Co-operatives UK, sponsored by some of the UK's most successful co-operatives and brought to life by co-ops across the UK. Two weeks of mass co-operation to spread the co-operative word and share the values that make our businesses different.

Co-operative - an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned enterprise.

Co-operatives UK - the central membership organisation for co-operative enterprise throughout the UK.

Crowdfunder - an alternative way of raising money for projects from small online investors.

DBS - Disclosure and Barring Service.

DEMOS - Demos is a think tank based in the United Kingdom with a cross-party political viewpoint. It was founded in 1993 and specialises in social policy, developing evidence-based solutions in a range of areas - from education and skills to health and housing.



Financial Conduct Authority - a financial regulatory body in the United Kingdom, but operates independently of the UK Government, and is financed by charging fees to members of the financial services industry.

Friendly Society - mutual association for the purposes of insurance, pensions, savings or cooperative banking. Registered with the Financial Conduct Authority under the Friendly Societies Acts of 1974 or 1992. Largely replaced now by the Co-operative and Community Benefit Societies Act 2014.

Growth Hubs - the network of 38 growth hubs in England and Wales are local public/private sector partnerships led by the Local Enterprise Partnerships (LEPs). They join up national and local business support so it is easy for businesses to find the help they need.

Industrial and Provident Societies - a legal entity for a trading business or voluntary organisation.

LEPs - Local Enterprise Partnerships.

Local Government Association - The Local Government Association (LGA) is the national membership body for local authorities. Its core membership is made up of 339 English councils and the 22 Welsh councils through the Welsh Local Government Association. The LGA is politically-led and cross-party.

Localism Act 2011 - to facilitate the devolution of decision-making powers from central government control to individuals and communities.

New Economics Foundation (NEF) - a British think-tank that promotes "social, economic and environmental justice". NEF was founded in 1986 by the leaders of The Other Economic Summit with the aim of working for a "new model of wealth creation, based on equality, diversity and economic stability".

North Devon Biosphere - a UNESCO (The United Nations Educational, Scientific and Cultural Organization) biosphere reserve covering 55 square miles, centred on Braunton Burrows, the largest sand dune system in England. Biosphere reserves are areas of terrestrial and coastal ecosystems promoting solutions to reconcile the conservation of biodiversity with its sustainable use.

Public Limited Company (PLC) - a company that is able to offer its shares to the public. They don't have to offer those shares to the public, but they can.

Royal Charter Company - a corporation. Between the 14th and 19th centuries, royal charters were used to create chartered companies – for-profit ventures with shareholders, used for exploration, trade and colonisation.

Section 106 - a legal agreement between an applicant seeking planning permission and the local planning authority, which is used to mitigate the impact of your new home on the local community and infrastructure.

Section 151 Finance Officer - an officer appointed under section 151 of the Local Government Act 1972 which requires every local authority to appoint a suitably qualified officer responsible for the proper administration of its affairs.

Small and Medium Enterprises (SMEs) - small and medium-sized enterprises or small and medium-sized businesses are businesses whose personnel numbers fall below 250 and whose turnover is less than or equal to 50 million Euros or a balance sheet total of up to and including 43 million Euros.

SMART - Specific, Measurable, Attainable, Relevant and Time-based.

SNP - Scottish National Party.

Solidarity economy - a movement that aims to change the current social and economic system. Solidarity economic principles serve as the new basis – principles based on solidary exchange that connects individual needs with those of the community.

State Aid - financial assistance given by the government to companies or other organisations that has the potential to distort market competition.

Teckal Exemption - in the 1999 judgment of Teckal (C-107/98) the European Court of Justice established an exemption from public procurement for the award of contracts by a public authority to a separate entity provided certain requirements were met.

Unincorporated Associations - an organisation that arises when two or more people come together for a particular purpose, but decide not to use a formal structure like a company. Most clubs, societies, groups, and some syndicates are unincorporated, as are many voluntary organisations.

VCSE - Voluntary, Community, Social Enterprise.

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Values and Principles

Co-operative Values and Principles as a tool for business ownership and control

Values	Principles
self-help self-responsibility democracy equality equity solidarity	<ul style="list-style-type: none">■ Voluntary Membership. Ownership and control is by members. The business exists to serve them, with membership open to anyone who is eligible to join and willing to take on the responsibilities that come with it.■ Democracy Every member has one vote, no matter how much of a financial or political stake they have.■ Financial Participation. The business is financed by the members pooling their resources. As members, they work together to control the capital and decide what to do with profits.■ Autonomy and Independence. Ownership is independent of investors, government or other organisations so that control is with the members■ Education, Training, and Information. Members and staff are trained in running a high-performing business and in their role of participating in its governance.■ Cooperation among Cooperatives. The business values these principles and seeks to uphold them through its supply chain, and the transfer of any assets.■ Concern for Community The business benefits the community and the environment by implementing sustainable policies that have been accepted by their members.



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For more information about the Report contact coop@plymouth.gov.uk

To find out more about joining the CCIN contact hello@councils.coop or visit councils.coop

CCIN Accountable Body: Oldham Council, Oldham Civic Centre, West Street, Oldham OL1 1UL T: 0161 770 5691

