

Making Co-ops Thrive

A CO-OPERATIVE DEVELOPMENT STRATEGY FOR THE
WEST MIDLANDS

PROMOTION OF THE CO-OPERATIVE MODEL



PROVISION OF SPECIALIST SUPPORT AND ADVICE

ACCESS TO FINANCE



CO-OPERATIVES

COOP
West Midlands

Building a better world

VALUES-BASED BUSINESSES



Co-operatives are a significant part of the West Midlands economy, with a turnover of more than £2.5 billion.

Co-operative enterprises exist in many areas of daily life, including food and drink, energy, credit unions, education, housing, funeral, leisure, social clubs, transport, floristry, agriculture, and travel. Co-operatives have been critical to the solidarity economy that has emerged to help vulnerable people during the Covid-19 pandemic.

Co-operative enterprises make the world a better place through the social, economic and environmental value that they achieve. We want co-ops to thrive because they are groups of people who co-operate to meet a range of economic and social human needs, fairly, democratically, and within the ecological ceiling of the planet.

As the world faces imminent crises of climate change, recession, and pandemic, we need co-ops to drive social, economic and environmental change more than ever.

As values-based business, co-operatives are underpinned by our values of self-help, self-responsibility, democracy, equality, equity and solidarity, and by our ethical values of honesty, openness, social responsibility and caring for others. By their nature, co-operatives generate positive externalities, building community cohesion, and creating social, environmental as well as economic value.

Through distributed ownership, co-operatives create an inclusive and democratic economy, in which power is held by many ordinary people. Co-operative enterprises have a higher survival rate than other forms of business.

Aims of this strategy

A STEP CHANGE IN CO-OPERATIVE DEVELOPMENT

- Creating a pipeline of people wanting to set up new co-operatives, or convert existing organisations into co-operatives.
- Giving light-touch developmental support to start-up and existing co-operatives, including all sectors of the economy, and reflecting the diversity of the whole West Midlands region. This will include the creation of co-operative enterprise centres, as part of a multi-channel support structure including physical assets as well as face-to-face advice and online support.
- Maintaining the survival rates of co-operatives to safeguard jobs and services.
- Supporting co-operatives to collaborate on proving their economic, social and environmental value.

To achieve these aims, we need a step change in the co-operative development infrastructure in the region.

1. **Creating a pipeline of new co-operatives**

We are in challenging economic times. Communities across the region are under pressure. Many of these challenges could be tackled with co-operative solutions. From maintaining a community asset, rescuing a shop or a pub, to more



photo: The Warehouse Cafe

complex businesses that turn an idea into a practical business plan; all of these are achievable if community members receive expert support.

Our modern economy is complex with many enterprises carrying out many different functions. Fortunately there are many different co-operative forms to accommodate this variety.

The West Midlands is full of people with good ideas with potential to become co-operatives. However, not enough of these ideas are leading to the establishment or growth of co-operatives.

Although information on how to get involved in and set up co-operatives is quite widely available on the internet, there is a need for more than information – there is a need for guidance.

Expert support is available from the co-operatives UK programme The Hive. However there is a process of testing ideas that needs to be undertaken before an application to The Hive. People at this stage need some informal guidance. At the moment, whether or not people get this early stage guidance depends on whether they happen to come across existing co-operators who have the time and expertise to give this kind of guidance. We need more early stage information on co-operative models. Once people have decided they want to become a co-op they can Google it, but we need to get them at an earlier stage and make sure they know the option exists.

The Hive can't meet all co-operative development needs. We need something more wide-ranging and attuned to regional conditions.

To make this type of early stage guidance available to potential co-operators, we need to undertake activities that involve getting out and about to find people with good ideas.

a. Attendance at community events to give surgery-type guidance on becoming involved in co-operatives, and setting one up. Disadvantaged areas (urban, suburban, and rural) should be targeted for this activity.

b. Existing co-ops to include details about co-ops on their websites and signposting to support services.

c. Work with other business and voluntary sector support providers to inform them about the co-operative option.

d. Availability of early stage coaching from co-operative development advisors. This will take the form of short 1 hour sessions – up to a maximum of four sessions – that will be informal and might take place in a coffee bar or on Zoom.

e. The availability of this service to be advertised through the websites of Co-operative Development Bodies and Co-operatives West Midlands.

f. Co-operative Development Bodies should be resourced to deliver these activities.

Indicators of success will include:

- Numbers of people engaged about becoming a co-op through personal contact (including online);
- Numbers of people accessing information about the co-operative option online;
- Days of support given to developing co-operatives.



photo: Coop Cycle / The Warehouse Cafe

Light-touch support

TO START-UP AND EXISTING CO-OPERATIVES

This will include help with:

- a. Choosing a structure and legal form for a co-operative
- b. Membership and governance options
- c. Business and strategic planning.

This support should be delivered flexibly, i.e.

- a. One-to-one, or with a small cohort of co-operatives within the region
- b. In chunks of half days or longer interventions of up to five days
- c. It will differ from other programmes in that the type of support to be provided will be decided between the co-operative support adviser and the recipient, rather than being centrally commissioned.

There should be a simple and straightforward application process that is proportionate to the value of the support package.

Co-operatives need this kind of support at all stage of their lives, not just at start-up. It should be available to existing co-operatives who are stagnating or facing crisis or considering their future, as well as co-ops who wish to grow or diversify. It should be available to co-operatives who wish to collaborate, or form federations, or secondary co-operatives.

To make this happen, existing Co-operative Development Bodies in the West Midlands need to be resourced to deliver this support. Indicators of success for this activity will be:

- Supporting co-ops from as wide a variety of sectors as possible

- A broad geographical and socio-economic spread of co-operatives, e.g. urban, suburban, rural; representation of disadvantaged areas.



Co-op Enterprise Centres

A SPRINGBOARD FOR CO-OPERATIVES TO THRIVE

We need to de-risk innovative start-ups with lost cost nursery/mentoring spaces.

This is particularly important in new areas like the creative and digital sectors.

Having physical bases that can act as hubs, called Co-operative Enterprise Centres, would act as a springboard for co-ops to thrive.

There are empty and under-occupied premises owned by co-ops and statutory agencies; as property portfolios change and home working becomes more widespread, some of these assets could be used for Co-operative Enterprise Centres.

New and emerging co-ops could use them as workshops and offices under a Licence to Occupy, paying a peppercorn rent. This would be an opportunity for new co-ops to start up in a working environment where premises risks can be pooled, and without risking large amounts of capital. Co-operative Development Bodies could deliver business support and mentoring from these hubs, to co-operative businesses and co-operative community groups. Location will be critical for the Centres. They should be situated in county towns as well as urban areas. Where situated in urban areas, they should close to areas of young population, public transport, and cycle routes. They could be co-located with existing co-ops.

Like all economic development, business knowledge is often easier to communicate when there is a proximity effect. We have seen this in the past with ceramics in Stoke, locks in Willenhall, or glass in Stourbridge. Co-operatives are no different. We should see cluster development as a way of using resource advice or small grants more effectively by targeting them on a given geography.

There should be a small grants scheme available to developing co-ops, through the Centres. Building The Centres can be a flag in the ground for the co-operative movement.

To make this happen, we need:

- Larger co-ops with potential underused space need to be engaged
- New and developing co-ops need to be consulted about their needs
- To learn from people who have made similar schemes work in places like Oxford and Sheffield.

Our target is to establish the first Cooperative Enterprise Centre by the end of 2023.

Maintain survival rates

TO SAFEGUARD CO-OPERATIVE JOBS AND SERVICES

Being formed by communities or groups of people, co-ops can be harder to form than other business types, requiring some guidance. However, once formed, co-ops are much more resilient and durable than conventional businesses. Co-operatives are more likely to survive their first five years of trading than other businesses. 76% of start up co-operatives survive and are still trading after five years, compared to 42% of companies.

Our aims are:

- 80% of the co-ops that exist in 2020 are still trading in 2030;
- 80% of new co-ops that come into existence between 2020 and 2025, are still trading in 2030.

We, as a co-operative movement, will achieve this by supporting co-ops at all stages in their lives through co-operative development bodies, as outlined above.

Once co-operatives are established, they need the same things as conventional businesses in order to thrive, but tailored to their special circumstances. They need patient capital and skills. There are huge amounts of capital currently held in funds yielding sub zero returns.

A managed, structured, diverse regional loan fund could support co-operatives and attract investment from outside the sector. This is particularly important in capital-hungry sectors like housing.



Proving our value

COLLABORATING TO PROVE OUR SOCIAL VALUE

We want to support co-operatives to collaborate on proving their economic, social and environmental value. Why is this important? Because we want to convince citizens, consumers, businesses, and investors to buy from co-ops, join co-ops, set up co-ops, trade with co-ops and invest in co-ops. To do this, we need co-ops to be able to prove that they are making the world a better place.

Some examples of co-ops who have done this:

Central England Co-operative produces an independent Social Return on Investment report. In 2016 the report showed that for every £1 the Society invests in community projects, there was a return worth £20.50 in community impact. This is achieved through activities such as member classes, healthy eating workshops, the installation of defibrillators, and small grants. In 2018 the report showed that this figure had increased to £23.15 for every £1 invested.

New Leaf Co-operative is a recently established co-operative that aims to achieve social value through creating a stable and secure work environment for people with convictions who have been convicted of offences that can often make them socially isolated and excluded. Their principal way of measuring success is re-offending rates by co-op members.

Some profit will be distributed in the form of a community dividend to victims of crime charities. There will also be a member benevolent fund to support members in times of crisis.

BCRS is a co-operative that lends money to businesses of all kinds. In its social impact report for 2019-2020, BCRS reports:

- £5.21 of additional value was generated for the West Midlands economy for every £1 spent
- The number of jobs created or safeguarded through BCRS loans increased by 50%.

Proving our value

COLLABORATING TO PROVE OUR SOCIAL VALUE

Currently, many co-operatives struggle to demonstrate their social value because they lack the resources to do so, because they are being left on their own. Co-ops should not be left on their own to demonstrate the social, economic and environmental value that they achieve. We need to collaborate on social value.

We should not prescribe which tools co-ops use to measure social value. For small co-ops, measuring social value need not be over-complicated and should not take up excessive resources. What is crucial is defining with clarity how an individual co-op measures social value.

Co-operative Development Bodies should help co-ops to define the specific social value that they are setting out to achieve. CDBs should help the co-ops to design a simple measurement and reporting system, that the co-ops can deliver without further support from the CDB. Beyond this, many co-operatives are highly integrated into their local communities. They often wish to trade with other local small businesses and other co-operatives.

There is a huge opportunity to create extra value in the regional economy by encouraging producer and consumer co-operatives and small producers and co-operative retailers to collaborate across their supply chains.

Community Energy England as a good practice example of collaboration

Community Energy England supports and represents those committed to the community energy sector, including many co-ops. Their State of the Sector report demonstrates the economic, environmental and social value of the sector as a whole, a collaborative approach that makes it easier for smaller individual co-ops to prove their value. The State of the Sector report publishes the achievements of the community energy sector in the following areas:

- Number of volunteers
- Amount of money invested by the sector
- Amount of renewable electricity and heat generated by the sector
- Carbon dioxide emissions avoided.

Proving our value

COLLABORATING TO PROVE OUR SOCIAL VALUE

There should be a pilot scheme where a cluster of West Midlands co-ops collaborate on measuring social value in a similar way. This might start relatively small with a cluster of co-ops doing a pilot for 2-3 years - then aiming to scale up to embrace more co-ops. We are unlikely to involve all 450+ co-ops in the region in this, but if we get a sample then it enables us to prove that we are meeting people's economic and social needs fairly, and within planetary limits. It is consistent with Co-operatives West Midlands' remit to lead on this.

In the first two years, a small group of co-ops (a dozen or so) are supported by an experienced co-operative development worker to measure this in their own co-op, and then in subsequent years are able to be peer mentors for other co-ops (a paid role to them or their co-op - at community researcher rates).

All co-operatives in every sector should have the opportunity to benefit from this support. For some co-operatives, thriving means consolidation; for some co-operatives, thriving means growth.



*photo: John Hill-Daniel for
Community Energy Birmingham*

Some sectors of the co-operative economy that are expected to experience growth are:

- Digital Arts and Creative
- Housing
- Food, where there is an opportunity to build a co-operative food economy in the region.

As can be seen on the next page, these sectors are part of a co-operative economy that is broad and diverse.

The current picture

HOW BIG IS THE WM CO-OPERATIVE ECONOMY?



There are co-operatives in many sectors of the West Midlands economy, as shown by the word cloud above.

In 2019 the size of the co-operative economy in the West Midlands was:

- Number of co-ops in the West Midlands – **483**
- Turnover – **£2.5 billion**
- Membership – **3.5 million.**

We want to maintain a diverse co-op economy - with all these sectors in it. **Co-ops are found in all sectors of the economy, not just food.**

Co-operative development

WHAT INFRASTRUCTURE DO WE NEED?

A single co-operative development body dominating the whole region or country would risk becoming a self-serving body that chases funds and drifts away from its mission. We have seen this in other areas of the social economy. The following West Midlands based organisations are currently involved in co-operative development in some way:

- Co-operative Futures
- Coventry and Warwickshire Co-operative Development Agency
- The People Co-op
- Development in Social Enterprise
- Innovation Factory Co-operative
- Community First in Herefordshire and Worcestershire
- SD consultancy.

All of these bring diverse strengths and approaches to co-operative development.

A decentralised approach to the delivery of co-operative development would build on these strengths and is more in keeping with the traditions of the co-operative movement than a command-and-control approach to co-operative development.

What happens next?

We need the following:

- Board level support from co-ops for a step change in the way we do co-operative development in the West Midlands
- Political support for a thriving co-operative economy
- Buildings where co-operative enterprise hubs can be located
- Increased revenue funding for co-operative development bodies.
- Access to finance for co-ops.

If you can help us, please contact us
www.cooperatives-wm.com

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